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The newspaper of drug store retailing

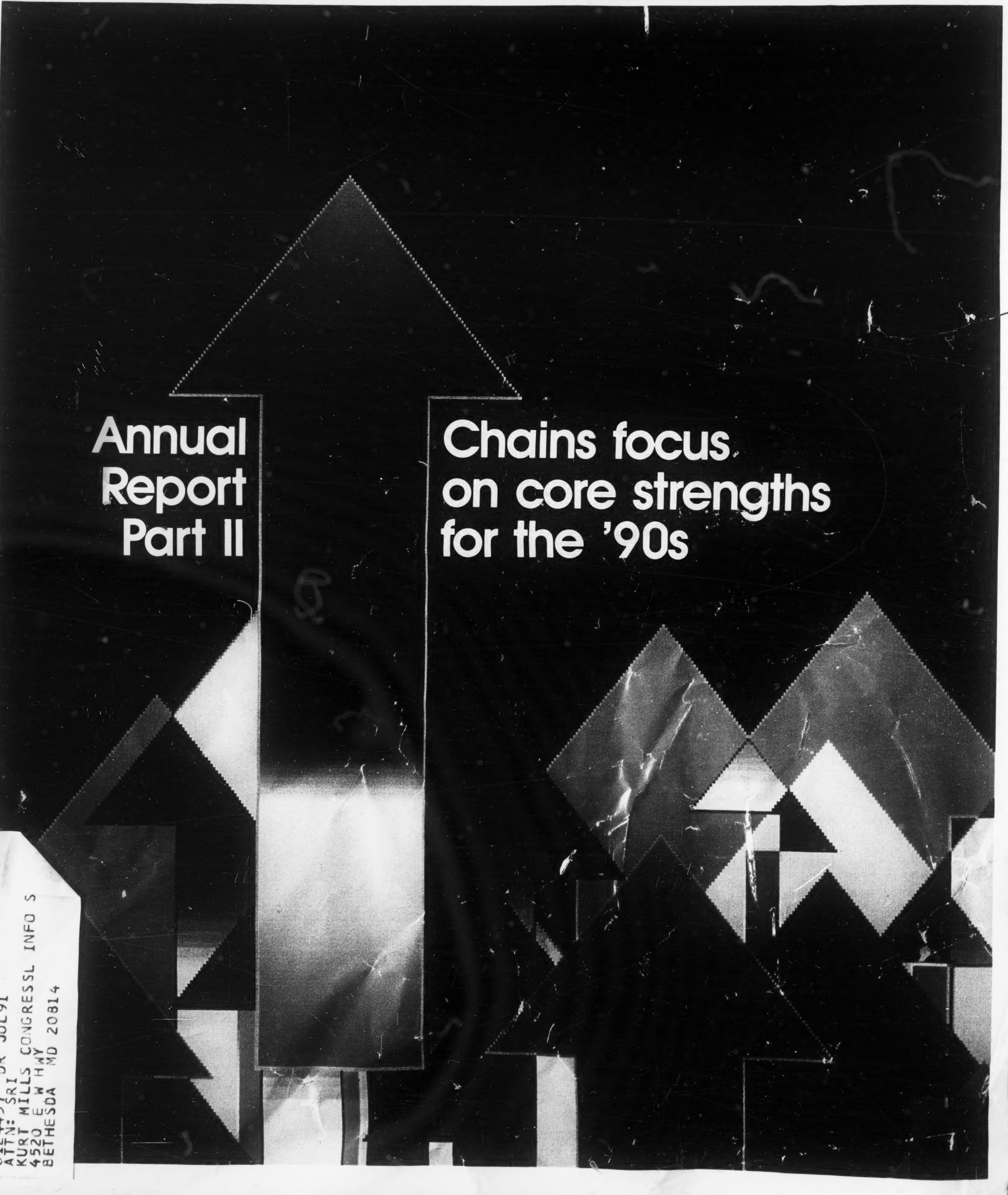
May 6, 1991

DRUG STORE NEWS

SECOND CLASS

Vol. 13 No. 9

A Lebhar-Friedman publication



Annual Report Part II

Chains focus on core strengths for the '90s

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The newspaper of drug store retailing

May 6, 1991

DRUG STORE NEWS®

Vol. 13 No. 9

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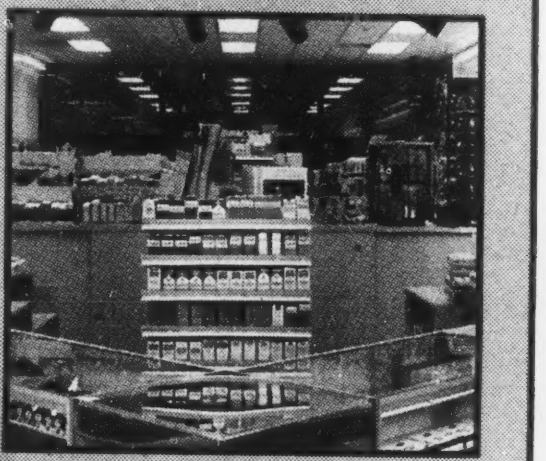
LATE NEWS

•WARREN, Mich. — F&M Distributors will enter Boston with four stores this fall, mostly through new construction now under way, said president Frank Newman.

•TROY, Mich. — Arbor Drugs has filed to offer 2 million common shares (worth $50 million in today's market), half to be sold by Arbor and half by an unnamed shareholder.

FEATURES



Eckerd tunnels to profits

Eckerd goes underground with a unique downtown store design deep in the heart of Dallas. **Page 5.**

Rainforest Rx treasures

Prescriptions contain plants exclusive to the rainforest. As rainforests get axed, so do medicinal possibilities. **Page 64.**

Drug Store News
Box 3116, Grand Central Station, New York, N.Y. 10164-0659

SECOND CLASS

Revco presents plan to creditors

By James Frederick

TWINSBURG, Ohio — Expressing "frustration" with the slow pace of progress in its effort to emerge from bankruptcy, Revco D.S. chairman and ceo Boake Sells said the company's board of directors had arrived at a plan of reorganization. That plan is now being presented to Revco's three committees of creditors as negotiations to develop a consensual debt payment plan for the company reach a critical stage.

Revco and the trade creditors, bondholders and banks to whom it owes $1.5 billion must successfully negotiate a plan of reorganization all parties can agree upon before the chain can come out of Chapter 11. Those negotiations took on new urgency in early April, after representatives of some of the company's 11¾ percent senior secured debentures filed a motion with U.S. Bankruptcy Court in hopes of speeding up the process. The noteholders' motion asks the court to impose a 120-day deadline on Revco's efforts to file a consensual plan with the court. If those efforts fail, the motion asks that Revco's Chapter 11 case can be changed to a Chapter 7 liquidation.

"Although we don't agree with this tactic to get Revco out of bankruptcy, we share their sense of frustration with the pace of our case," Sells responded. "We also share the eagerness of debenture holders and other creditors to see a confirmable plan of reorganization for the company."

Revco's creditors filed their own financial reorganization plan with the court last fall, but members of Revco's board holding equity in the company refused to accept the plan because it rated their stake in the company as worthless, since Revco's debt obligations outweigh its current asset value.

In recent months, parties involved in the negotiations have agreed to revise the plan somewhat "to reflect the current status of Revco and the desires of several parties in the case," according to the company. Such a revision may have to take into account improvements in Revco's store- and pharmacy-automation systems, its healthier cash position and gradual improvements in store operating performance.

Revco and its creditors are so far not releasing details about the new reorganization

See **Revco** *page 6*

BRING PRESCRIPTIONS HERE
ABBOTT
LILLY
Depend

ShopKo is committed to pharmacy, optical centers and HBA, placing them in all new stores.

ShopKo moves westward; eclipses 100 Rx stores

GREEN BAY, Wisc. — ShopKo Stores has broken the 100-unit mark in pharmacies as it continues to extend its reach in western markets. The discount store chain opened four new stores in one day, including its first entry into Billings, Mont. and three more units in Utah.

That brings store count to 108, including 101 units with pharmacies. The discount division of Super Valu Stores, Minneapolis, also has two Twin Valu combos in Cleveland.

More ShopKo news pg. 6

All four new units contain pharmacies and HBA departments. "All our new stores have both pharmacies and optical centers. They're part of our core business," said spokesperson Jane Kresin.

ShopKo will add another Utah store this fall, in Sugarhouse, near Salt Lake City, raising store count in the state to 15 by the end of the year and making Utah its second-biggest market.

The chain's expansion wheels have been greased by careful refinement of its format: a strong mix of discount store general merchandise, apparel and toiletries with specialty departments and some food—all at discount prices.

ShopKo's biggest stronghold remains the Midwest. The chain operates 36 stores in Wisconsin, 12 in Minnesota, 10 in Nebraska, and three each in Iowa and Michigan. However, the chain is growing most rapidly in the West. Besides Utah, it has 8 units in Idaho, six each in Washington and South Dakota, and three each in Montana, Nevada and Oregon.

ShopKo also entered California for the first time last year, with a unit in Redding.

Dot 14-store re-opening is a year in the making

LENEXA, Ks. — Dot Drug Stores launched simultaneous grand reopening celebrations in all 14 of its large-scale off-price outlets April 19, 20 and 21. The event followed an ambitious, year-long makeover of Dot following its sale by Wal-Mart Stores early last year.

Wal-Mart sold the $100 million division to a four-man group of investor/managers Jan. 31, 1990. The group includes chain drug veteran Jerry Gaddis, Wal-Mart's former Dot division manager, Terry Files, and two Kansas City investor-operators, Ron Benjamin and Paul Miller. Dot's stores are located in Kansas City, St. Louis, Wichita, Ks., Des Moines, Iowa and Lin-

See **Dot** *page 6*

P&G buy of Max Factor may make Revlon shine

By Elizabeth Parks

Levin

NEW YORK — Does Revlon's sale of Max Factor to Procter & Gamble, coupled with the naming of a new president, signal the emergence of a new, stronger, more streamlined Revlon?

In the chain drug industry, where Revlon is a major player, executives hope the Factor sale is a good omen.

While they'll miss Revlon's outgoing president, Sol Levine, they believe his replacement, Jerry W. Levin, may be in a good position to help Revlon streamline operations and improve production and marketing programs.

Many executives reason that the sale of Factor to P&G will make it easier for Revlon to focus on its core business, since the $1.14 billion in cash that Revlon will realize from the sale will help reduce debt and build equity.

"It affords them the opportunity. . .to use proceeds to strengthen Revlon's competitive situation," said Jim Harrison, Jr., president of Harco Drug. "It should help them refocus attention on their day-to-day businesses."

Revlon's ceo Ronald Perelman said as a result of the sale company capital structure "will place fewer constraints on operating flexibility and provide us with greater capacity to build on

Continued on page 66

NEWS IN BRIEF

DiGrazia leaves Safeway

OAKLAND, Calif. — Safeway said that Paul DiGrazia, who has been the director of pharmacy, has left the company to pursue other interests. A spokesman said that DiGrazia, who had been an employee for "close to ten years," had yet to be replaced. DiGrazia has moved to Pay Less NW, sources said.

Safeway increased the number of pharmacies it operated in 1990 to 393, or 35 percent of its superstores and conventional stores.

Bindley Western names 3 exec posts

INDIANAPOLIS — Bindley Western has named David Dyck as vp-sales, Western region. Previously with Bergen Brunswig Corp., Dyck will be based at the new San Dimas, Calif. facility.

Also, John Yarbrough was promoted to vp-operations. He was most recently vp-gm of the Atlanta division.

Michael Hamilton, in a third appointment, joined the company and will take the division manager's post in Atlanta. Hamilton has 14 years experience in the wholesale drug industry.

O&M makes top management shifts

RICHMOND, Va. — Owens & Minor has made some senior management shifts following the announced retirement of executive vp W. Frank Fife, effective May 1 after 33 years.

Glenn Dozier will become the leader of a newly-formed department as senior vp-operations and systems. His responsibilities will include operations/logistics and MIS. Dozier is currently senior vp, and will function as cfo until a replacement is found.

Henry Berling, now senior vp and chief operating officer, will assume the new position of senior vp-sales and distribution, with responsibility for all wholesale drug and medical-surgical distribution centers. Three new group vice presidents have been named to report to Berling. They are Richard Moss, who will manage the Eastern region, James Foran, South Central, and Craig Smith, Western.

Also, Robert Anderson III, currently senior vp-corporate development, will become senior vp-marketing and planning, a new company function that will focus on implementing the marketing plan. Anderson continues to have responsibility for the strategic long-range plan.

In other changes: Hugh Gouldthorpe, formerly vp and gm-wholesale drug division, will take the new position of vp-corporate communications. Hue Thomas III, formerly vp-gm of the medical/surgical division, will become vp-corporate relations.

Exclusively HBA gains speed

CHICAGO — The Exclusively HBA trade show, which debuted last fall, is apparently picking up steam heading into the '91 event. Jay Spaulding, principal of Exclusively HBA, said that retailer and exhibitor registrations are "exceeding expectations."

The All-Industry Health & Beauty Care Show will run Sept. 12-14 at the New Orleans Convention Center. Spaulding said that over 200 exhibitors have already signed on, "well ahead of schedule" to surpass its goal of 300.

More than 260 buyers and merchandisers have registered so far, indicating that the goal of 1,000 will be exceeded by showtime, Spaulding said.

NHMA moves to burbs

CHICAGO — The National Housewares Manufacturers Association has relocated it headquarters offices to Rosemont, Ill., a nearby Chicago suburb. The new larger office will be at 6400 Shafer Court, Suite 650.

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Affiliated/Associated show brims with products, programs

By Susan Ball

DALLAS — Affiliated/Associated Drug Stores' Spring Show at the Loews Anatole Hotel here made retailers "feel like walkin' and lookin' and talkin' and doin'," as one new member put it.

AADS has been fine-tuning its show format since taking it on the road last year, and the consensus among retailers polled at this mid-April event was that it topped both Chicago and Atlanta.

"This is probably as close to the ideal structure as it can get," Alvin Wander and Pat Teeley of Maple Drugs in Michigan agreed. They also said having the show specials included in the booths was an improvement over Atlanta, where the specials were separate.

Several attendees liked the flip-flop of the "What's Good With You" session with the AADS buyers' merchandise presentations. The buyers' presentations, a high point among members, took place on the last day of the show this time, changing places with "What's Good . . .," when retail members share some of their product and promotion successes, held on the first full day.

"The booths here are well arranged, so you can see more in less time," said Steve Gresham of Florida-based Gresham Drugs.

Jerry Houghton and Ed Easton of Kinney Drugs found the exhibition facilities in Dallas "much better than Atlanta" and formed the impression others also mentioned, that there were more vendors at this show.

The count was up somewhat, AADS president Jim DeVine confirmed, with 139 vendors represented in 151 booths, compared with 133 vendors at the fall show in Atlanta.

Approximately 110 merchandisers from 50 drug

Continued on page 6

Bill Brock, director of gm, Drug Emporium, right, talks with a sales rep on exhibition floor at AADS Spring Show, Dallas.

Affiliated/Associated show attendees shout "Tremendous!" when asked how they're doing at the end of Patrick O'Dooley's featured speech on attitude and enthusiasm being key to success.

CVS names two execs for acquisitions

WOONSOCKET, R.I. — Fast-growing CVS has promoted two executives to top posts for store and pharmacy acquisitions.

Frank Hall was named vp-acquisitions, responsible for negotiating and coordinating store purchases and sales. That will include focusing on integrating the 490 Peoples Drug stores CVS bought last year.

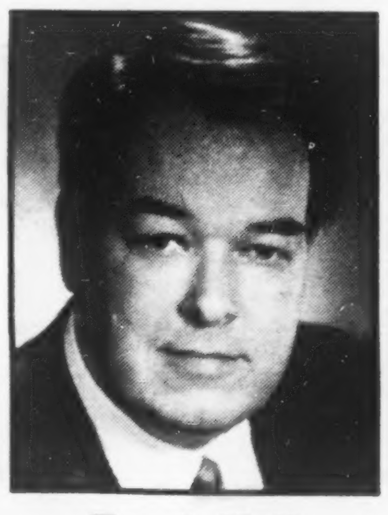
Hall, a CVS employee since 1972, has most recently been director of pharmacy acquisitions.

And in a move that highlights the chain's commitment to the Peoples stores, CVS named Dino DeThomas to the newly-created post of regional director of pharmacy acquisitions for the mid-Atlantic states.

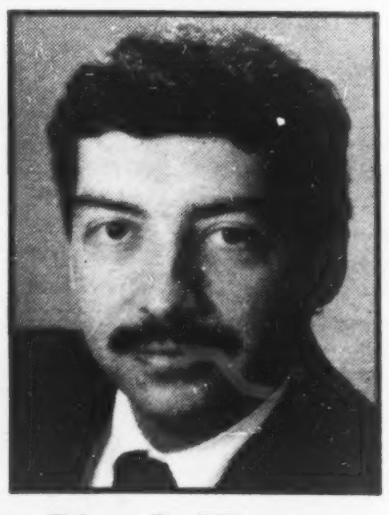
DeThomas will operate out of Peoples' offices in Bren Mar, Va. and will continue reporting to Hall. DeThomas was most recently a pharmacy acquisitions representative.

Harvey Rosenthal, CVS president and ceo, told *Drug Store News* the promotions reflect the importance of the positions and individuals to CVS—and doesn't indicate any new directions for the chain.

Having added over $1 billion in sales with its takeover of Peoples, CVS plans to add 35 stores in 1991.



Frank Hall



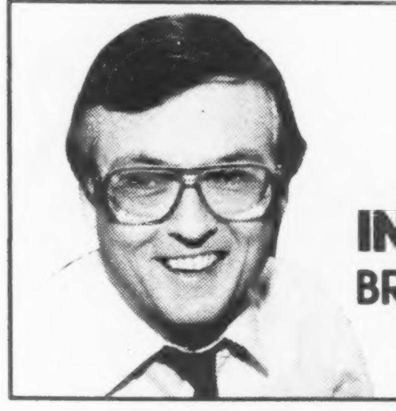
Dino DeThomas

Correction

A typographical error in a story about Perry Drug Stores' "adoption" of Detroit's Crockett Vocational/Technical Center changed the meaning of a paragraph about Perry's "Doo-It-Up" hair-styling contest.

The paragraph should have read: Arts students at the school can also benefit by entering Perry's annual "Doo-It-Up" contest, which gives high school students a chance to vie for $1,000 prizes by depicting African-American hairstyles. Winning entries are used in ads promoting black hair styles and products throughout Detroit.

NACDS has made great strides in 3 years



IN THE MARKET
BRUCE BUCKLEY

In 1987, when Ron Ziegler was taking over the reins at NACDS, the association was strong and highly regarded. Viewed from the pressbox, NACDS' steady game seemed suited to the tasks at hand. Why tinker too much, we thought, with a winning organization. Of course, as we now know, change was not only necessary but inevitable. And in fact in the past three years the changes have crackled like fireworks on North Lee Street close to the banks of the Potomac.

Under Ziegler, NACDS is now at a peak in influence and as a result is serving its members better than ever.

Today, as the association's annual meeting gets under way, membership, income and member services are at record levels, and the association's voice in government and pharmacy affairs has gained in depth and resonance. Here are a few particulars:

- **Membership:** Reflecting consolidation in the industry it represents, NACDS' chain drug membership has actually fallen since 1987. Today it stands at 155 chains, whereas three years before it was 170. However, those 155 chains represent 24,000 stores, compared to 20,000 in 1987. Offsetting the decline in chain membership has been a 50% increase in associate members, to 900 from 600. Membership has also expanded among mass merchandisers and supermarkets, which share a common interest in pharmacy. In targeting new growth, NACDS has even moved into the international arena. • **Budget:** From 1987 to 1990 total income almost doubled, to $11.4 million from $6.3 million, while expenditures increased to $10.6 million from $6.0 million three years earlier. Income after expenditures also soared — to $814,391 from $351,988.
- **Staff:** In three years, the staff grew to 43 from 28. More important than the numbers are the areas in which activity has accelerated. In government affairs, for example, there has been expansion at both federal and state levels. State government affairs managers are now assigned to every region of the country. In the pharmacy and health affairs area staff membership is up, with more registered pharmacists handling key pharmacy practice and education issues.
- **Services:** A library has been added where members, as well as others interested in the chain drug industry and its issues, can track down information. An electronic bulletin board offers news and research. New publications have been added, including The PIPEline, the Source Book and — soon to make its appearance — Chain Drug Store Pharmacist.
- **Meetings:** In addition to the strong growth of the traditional triad — the Annual, Marketplace and Pharmaceutical — NACDS has added conferences on Distribution/Logistics; Human Resources/Loss Prevention; and Public Conference.

If three years has brought such great strides, one can only speculate about the remainder of this decade. The changes are sure to be as cracklingly dramatic as those of the first three years.

Wage proposal could be to labor's advantage

WASHINGTON PERSPECTIVE
KEN RANKIN

Chain and independent drug store operators struggling to survive the economic downturn may soon find their job even tougher as a result of developments here in Washington.

Organized labor leaders are politicking hard on Capitol Hill these days, and that could spell trouble for many companies—union and non-union alike. Indeed, if some members of Congress have their way, payroll costs in drug retailing and other labor intensive industries may soon begin spiraling upward.

Union lobbyists are already pressing for a fresh hike in the national minimum wage, which was just raised to $4.25 earlier this spring. One scheme under discussion would boost the pay floor 35 percent to $5.75 and wipe out the current subminimum "training wage" in the process.

Worse yet, some Congressional supporters of such legislation are also pressuring for a minumum wage "indexing" requirement that would mandate automatic annual increases in the hourly rate in step with changes in the cost of living.

Many of these same lawmakers are also spearheading a drive for an even more controversial "striker bill" designed to give organized labor activists the upper hand in wage negotiations with industry. This proposal would eliminate the right of businesses to hire permanent replacements for striking workers.

Although the advocates of these measures maintain that they are necessary to improve the economic status of the nation's workforce, there's a good deal of doubt about that.

The consensus among economic researchers is that increases in the minimum wage rate eliminate employment opportunities and do more harm than good for low-income workers. An indexing provision would aggravate those problems and create a new engine of inflation, to boot.

As for the striker bill, the last thing our fragile economy needs is a shift in the labor law ground rules that would encourage crippling work stoppages.

If these questionable proposals are implemented, the impact would hit home at the very time that drug stores and other employers are beginning the slow climb back from the recession.

Legislation that stalls the recovery and cripples industry's ability to create jobs won't help drug stores or their employees.

Letters to the editor

Dear Editor:

In the Dec. 10 issue of *Drug Store News*, results from the Leo J. Shapiro study were published, stating that in a user survey, Edge ranked 4th in brand preference for shave cremes behind Colgate, Gillette and Barbasol. These findings are absolutely incorrect and misleading according to all other consumer and independent sales tracking data purchased by SC Johnson Wax from leading research suppliers. Consistently, Edge Shave Gel is positioned as the No. 1 brand in the shave prep category.

In fact, according to the leading sales tracking company, Edge Shave Gel brand is No. 1 in both dollar and unit sales in all classes of trade, including drug. Edge leads the next brand by over 20 share points in dollar sales. Additionally, consumer data shows Edge is rated No. 1 by its respective users on key shave performance measures, like getting a close shave without irritation.

The above claims are substantiated by a variety of syndicated data. This data gives us backing to make and defend our No. 1 position claims to the trade and to our consumers.

Barbara H. Jorgensen
Public Relations Manager
U.S. Consumer Products
S.C. Johnson & Son, Inc.

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Record earnings, sales reported by Walgreen

DEERFIELD, ILL. — Walgreen reported record earnings and sales for the second quarter and six months ended Feb. 28—even with a one-time charge for closing a Memphis distribution center.

Improved gross margins and "an excellent holiday sell-through" boosted profits, said chairman Charles Walgreen III.

Sales for the Christmas quarter were $1.82 billion, or 10.6 percent above last year's comparable quarter. For six months, sales of $3.03 billion were 10.8 percent better than the prior year. Decreased by a one-time charge of $4.1 million for closing the Memphis DC, second quarter net earnings were $67.49 million, 9 percent above last year's quarter. Six-month net earnings were $99.63 million, 10 percent better than last year.

Without the charge for the Memphis closing—which occurred because its physical constraints didn't allow for new system technology—net earnings for the quarter would be 13.1 percent better than last year, and 12 percent ahead for the six months.

Walgreen's board declared a regular quarterly dividend of 11½ cents a share payable June 12, 1991 to shareholders of record May 22, 1991.

Advertising costs as a percent of sales are lower than a year ago. But—mostly due to higher insurance and payroll expenses—selling, occupancy and administrative costs rose.

Prescription sales rose 20.5 percent in the quarter, and 21 percent for the six months, as same-store sales grew 17.8 percent in the six months.

"Pharmacy could be half our overall sales by the end of the decade," said president L. Daniel Jorndt, adding that 120 pharmacy remodels are scheduled for the current fiscal year.

Walgreen opened 43 stores in the first half; with plans for 110 new stores this year, nearly half in freestanding sites. Preliminary March sales show a 15.6 percent increase from last year, helped by an early Easter.

Despite less severe flu season, Bergen sees sales/earnings rise

ORANGE, Calif. — In spite of a milder-than-usual flu season this winter, Bergen Brunswig reported an 8 percent increase in sales and a 13 percent increase in net earnings for the six months ended Feb. 28.

Net sales and other revenues for the first half were $2.34 billion, compared with $2.18 billion for the period in fiscal 1990. Net earnings rose to $34.1 million from $30.3 million. Fully diluted earnings per share were 94 cents for the six months, versus 86 cents for the year-earlier period.

For the second quarter, net sales gained 7 percent, to $1.16 billion from $1.09 billion for the comparable quarter last year. Net earnings were $17.1 million, or 47 cents per share, compared with $15.4 million, or 43 cents per share.

"Bergen Brunswig continued its sales growth performance despite less-than-anticipated results in January attributed in part to this year's less severe flu season," commented president and ceo Robert E. Martini. "A higher gross profit margin rate, effective operating expense controls and a program of continuing consolidation into regional distribution centers contributed to the 16 percent improvement in operating earnings."

Arbor declares 3-for-2 stock split

TROY, Mich. — Arbor Drugs' board of directors on April 2 declared a 3-for-2 stock split, the second 3-for-2 split in two years. It's stock closed on the NASDAQ exchange at 26½ April 17, with a price/earnings ratio of 22.

The new shares in the form of a 50 percent stock dividend will be distributed May 7 to shareholders of record as of April 17.

"We are pleased to increase the number of shares outstanding and provide better liquidity of Arbor stock," said Eugene Applebaum, chairman, president and chief executive officer.

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Vol. 13, No. 9 May 6, 1991

MARKET DIARY:

Largest Dollar Gainer	Merck Co	$ 5.63
Largest Dollar Loser	Penney, JC.	$— 1.63
Largest Percentage Gainer	Moore Medical	46.67%
Largest Percentage Loser	Bolar Pharmaceutical	— 9.76%

Advances	32
Declines	21
Unchanged	5
New highs	25
New lows	0

	Close 04/08/91	Close 4/18/91	Net Change	Percent Change
Drug Store News Index	4149.09	4253.73	104.63	2.52
Dow Jones Industrial Average	2918.56	2999.26	80.70	2.77
Standard & Poor's 500-Stock Index	378.66	388.46	9.80	2.59
N.Y.S.E. Composite	207.17	212.26	5.09	2.46
Value Line Index	241.14	245.95	4.81	1.99

Source: Nordby International Inc., Boulder, Colo.

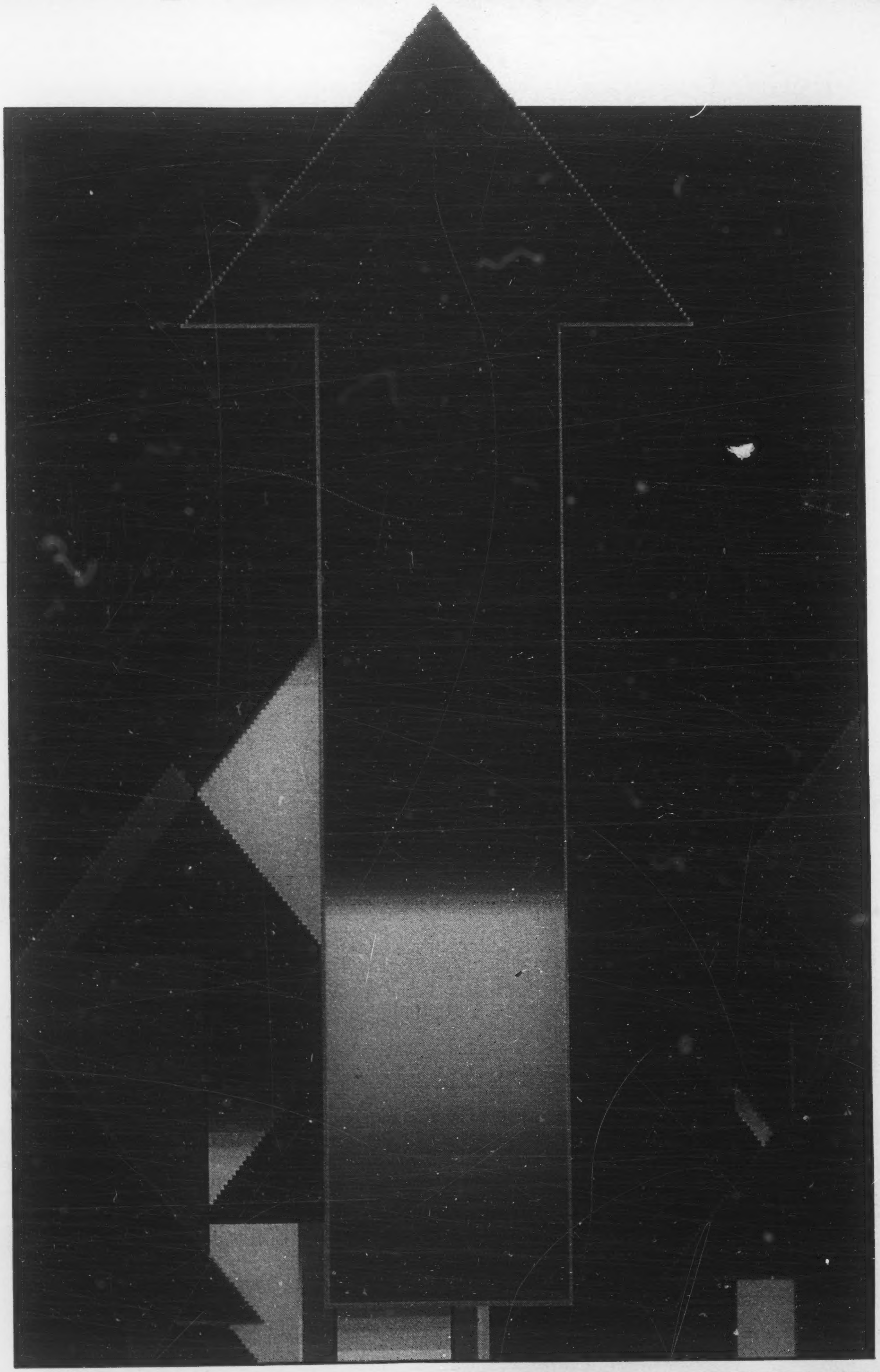
DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 4/8/91	Closing Price 4/18/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend		Annual	
								Rate	Yield	High	Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	6.75	6.63	−0.13	− 1.85	25	0.00	0.00	7.56	4.50
OTC	Arbor Drugs (H)	ARBR	27.50	26.50	−1.00	− 3.64	22	0.20	0.75	29.75	13.25
OTC	Big B (H)	BIGB	11.75	12.75	1.00	8.51	− 67	0.00	0.00	13.63	4.75
OTC	Drug Emporium	DEMP	9.00	9.00	0.00	0.00	14	0.12	1.33	11.00	6.25
NYS	Fay's Inc. (H)	FAY	13.13	14.63	1.50	11.43	18	0.20	1.37	15.13	7.25
ASE	Genovese Drug (H)	GDX.A	10.75	10.63	−0.13	− 1.16	13	0.24	2.26	11.00	5.50
NYS	Longs Drug Stores	LDG	41.25	40.88	−0.38	− 0.91	14	1.04	2.54	43.63	30.88
OTC	Medicine Shoppe	MSII	25.50	26.13	0.63	2.45	23	0.24	0.92	26.75	15.50
NYS	Perry Drug	PDS	6.50	7.00	0.50	7.69	− 70	0.00	0.00	9.88	3.75
NYS	Rite Aid Corp. (H)	RAD	46.63	46.63	0.00	0.00	18	1.00	2.14	47.75	29.50
NYS	Walgreen Co. (H)	WAG	35.50	35.00	−0.50	− 1.41	23	0.44	1.26	35.88	20.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	32.50	31.13	−1.38	− 4.23	16	0.40	1.29	32.75	21.38
OTC	Bindley Western Ind. (H)	BIND	17.25	16.75	−0.50	− 2.90	17	0.04	0.24	17.88	8.63
OTC	Cardinal Distribution (H)	CDIC	37.25	37.88	0.63	1.68	31	0.08	0.21	39.50	17.50
OTC	Durr-Fillauer (H)	DUFM	30.25	31.25	1.00	3.31	23	0.24	0.77	31.25	16.00
ASE	Ketchum	KCH	2.38	2.25	−0.13	− 5.26	− 3	0.00	0.00	2.75	1.25
NYS	McKesson Corp.	MCK	32.63	33.25	0.63	1.92	15	1.60	4.81	36.00	26.88
ASE	Moore Medical (H)	MMD	5.63	8.25	2.63	46.67	36	0.00	0.00	8.25	3.50
NYS	Owens & Minor (H)	OMI	19.50	19.75	0.25	1.28	19	0.24	1.22	21.88	10.88
Manufacturer's transactions											
NYS	Abbott Labs (H)	ABT	49.75	52.75	3.00	6.03	23	1.00	1.90	52.75	33.13
NYS	American Home Products (H)	AHP	58.25	62.63	4.38	7.51	16	2.28	3.64	62.63	43.00
ASE	Barr Laboratories (H)	BRL	15.50	19.00	3.50	22.58	42	0.00	0.00	19.00	5.38
NYS	Baxter International (H)	BAX	34.63	36.75	2.13	6.14	20	0.72	1.96	36.75	20.50
OTC	Block Drugs Co. (H)	BLOCA	53.50	55.00	1.50	2.80	19	0.80	1.45	55.00	29.63
ASE	Bolar Pharmaceutical	BLR	5.13	4.63	−0.50	− 9.76	− 4	0.00	0.00	9.13	1.88
NYS	Bristol-Myers Squibb	BMY	78.25	79.38	1.13	1.44	24	2.40	3.02	80.38	51.75
NYS	Carter-Wallace (H)	CAR	63.75	66.75	3.00	4.71	19	0.92	1.38	66.75	44.88
ASE	Columbia Labs	COB	8.25	8.50	0.25	3.03	− 5	0.00	0.00	13.00	3.63
ASE	Forest Labs	FRX	38.25	38.38	0.13	0.33	44	0.00	0.00	42.13	18.38
ASE	Halsey Drug	HDG	3.50	4.25	0.75	21.43	27	0.00	0.00	5.00	2.13
NYS	ICN Pharmaceutical	ICN	5.63	5.25	−0.38	− 6.67	− 3	0.00	0.00	6.13	2.50
ASE	Lee Pharmaceutical	LPH	1.38	1.38	0.00	0.00	− 6	0.00	0.00	2.75	0.88
ASE	Leiner P. Nutrition (H)	PLI	12.75	12.75	0.00	0.00	11	0.00	0.00	12.88	6.75
NYS	Lilly Eli Co.	LLY	82.25	82.25	0.00	0.00	20	2.00	2.43	90.38	64.50
NYS	Marion Labs	MKC	38.50	37.00	−1.50	− 3.90	21	0.80	2.16	39.63	22.75
NYS	Merck Co. (H)	MRK	108.00	113.63	5.63	5.21	25	2.24	1.97	113.63	71.63
NYS	Mylan Labs	MYL	27.00	25.50	−1.50	− 5.56	28	0.20	0.78	28.00	13.75
NYS	Par Pharmaceutical	PRX	4.50	4.38	−0.13	− 2.78	− 3	0.00	0.00	8.13	3.38
NYS	Pfizer Inc.	PFE	57.00	56.75	−0.25	− 0.44	24	1.32	2.33	58.38	27.50
NYS	Rhone-Poulenc Rorer	RPR	79.50	79.13	−0.38	− 0.47	−152	0.84	1.06	83.25	56.75
NYS	Schering Plough	SGP	49.38	50.00	0.63	1.27	20	1.12	2.24	52.25	39.75
NYS	Syntex Corp. (H)	SYN	82.13	85.50	3.38	4.11	24	1.60	1.87	85.50	48.75
OTC	Taro-Vit Industries	TAROF	4.25	4.13	−0.13	− 2.94	−103	0.00	0.00	4.25	0.88
NYS	Upjohn Co. (H)	UPJ	48.00	47.63	−0.38	− 0.78	18	1.16	2.44	49.25	33.00
NYS	Warner-Lambert	WLA	77.50	79.38	1.88	2.42	22	1.76	2.22	82.25	52.13
OTC	Zenith Labs	ZENL	8.25	8.75	0.50	6.06	12	0.00	0.00	10.00	3.75
Other retailer transactions											
NYS	Albertson's (H)	ABS	47.00	50.63	3.63	7.71	29	0.56	1.11	50.63	27.50
NYS	American Stores (H)	ASC	88.63	90.75	2.13	2.40	17	1.12	1.23	90.75	42.63
NYS	Giant Food	GFS.A	29.75	30.38	0.63	2.10	15	0.60	1.98	31.25	21.13
NYS	Great Atlantic&Pacific Tea	GAP	53.63	52.25	−1.38	− 2.56	13	0.80	1.53	59.63	37.75
NYS	Kmart	KM	41.50	42.38	0.88	2.11	11	1.72	4.06	43.50	23.38
NYS	Kroger	KR	23.88	23.38	−0.50	− 2.09	24	0.00	0.00	24.50	10.63
NYS	Melville Corp.	MES	51.75	52.75	1.00	1.93	15	1.44	2.73	57.75	32.75
OTC	Fred Meyer	MEYR	16.25	18.25	2.00	12.31	13	0.00	0.00	18.25	10.00
NYS	Penney, JC	JCP	53.38	51.75	−1.63	− 3.04	11	2.64	5.10	68.00	37.38
NYS	Safeway (H)	SWY	21.38	20.50	−0.88	− 4.09	21	0.00	0.00	21.63	10.25
NYS	Smith's Food & Drug	SFD	42.00	43.00	1.00	2.38	32	0.36	0.84	43.75	24.75
NYS	Wal-Mart (H)	WMT	42.13	42.88	0.75	1.78	38	0.16	0.37	44.25	24.00

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Drug industry sales climb in trying times



Welcome to Part II of *Drug Store News'* annual coverage of the $67.6 billion drug store industry.

In Part I, the focus was on the performance of the core categories that form the bedrock on which drug stores have built their businesses.

The following pages chronicle significant events and initiatives at some of the major drug chains that helped them grow 9 percent overall during 1990, to become a $43.2 billion force in the industry.

Faced with an uncertain economic climate, increased competition from combos and discount department stores and the changing needs of an ever busier and more diverse population, the drug chains profiled here have pursued their own set of priorities to meet the challenge.

The themes of convenience and service—the two words that will be most important for drug stores in the 1990s—run as a common thread through all the chains' stories this year. A corollary to these twin axioms is employee motivation and training, which more and more drug chain leaders are seeing as key to translating the theory of service into practice.

Many chains forged ahead with technological advances, perceiving the necessity for a sophisticated information system to help them respond quickly to problems and opportunities, better anticipate trends and cut overhead costs.

Others developed programs to build up customer niches, such as senior citizen days, special mailings to new mothers and circulars aimed at teenage shoppers. Several chains created service centers to offer an array of extra services, including faxing, package mailing, money orders and the like in a prominent central in-store location.

The trend toward longer store hours, and more 24-hour stores, continued, in response to the needs of an increasing number of families where more than one adult works full time.

Several chains developed new store layouts that featured brighter lighting, wider aisles, clear and simple overhead and shelf signage, logical adjacencies and anchor positions for some of their strongest departments: pharmacy, cosmetics, photo, HBA.

Chains lavished special attention on pharmacies—the heart of their business—with upgraded computer systems, distinct niches for consultation and an increased emphasis on pharmacist-patient communication.

And several chains seized the chance to penetrate new markets and strengthen their position in existing ones through acquisitional opportunities that resulted from other chains' troubles: Revco's divestiture of 712 stores, the sale of Peoples Drug Stores, the Chapter 11 filings by Fantle's and SupeRx and Medicare-Glaser were some of the main events that changed the drug chain mosaic during the year.

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Chain leaders focus on goals for the '90s

Charles R. Walgreen III, Chairman, ceo, Walgreen

The fundamentals of our industry are good. We have a strong consumer franchise, as shown by the industry's positive year in 1990, and the performance of the chains so far this year. Chains now represent 35 percent of the drug stores in the nation and fill almost 40 percent of the prescriptions in the U.S.

We're going to continue to see strong demand for both prescription and over-the-counter drugs in the coming years. That doesn't call for complacency for chains, however, especially with the toughening of competition and the pressures on margins.

The challenge will be to maintain and even improve our health care image, upgrade our service levels, and at the same time lower our cost structure. To help achieve these objectives, Walgreens is investing nearly $130 million in retail technology over three years—roughly $80,000 per store.

We expect to have all Walgreens drug stores on scanning by the end of the year. We completed satellite linkage for virtually all stores and facilities in fiscal 1990, and are enjoying the benefits of improved response time in the pharmacy, as well as expanded transmission capacity.

We're focused on making all our stores more efficient and attractive for both shoppers and employees. New designs are being tested to update the image and "customer friendliness" of the entire store, including cosmetics, the photo department and, importantly, the pharmacy.

Of greatest importance to any business, of course, is its people. We will continue to recruit the best we can find.

Boake A. Sells, Chairman, ceo, Revco

A major challenge facing us all is the matter of trust. The trust of our customers, of those with whom we're allied, such as the medical profession, and of the people who work for us.

People participate—join in the process—to the extent they trust the organization. As drug store operators we need to differentiate our stores from other mass marketers, and to make the most of markets which are being saturated with competitive outlets. We ask a lot of people, both inside and outside the organization.

Trust is an element in shopping a drug store that it is not for any other kind of retailer. In recent weeks we've seen a OTC product-tampering scare. Over many months we've had to address concerns about the production of generic drugs. Ongoing are issues such as the crossovers of prescription to OTC drugs, environmentalism, or the efforts to manage care by third-party administrators.

We all have the challenge of making the public and our own people see that the product we sell is not just medication, but counsel, information, and service as well.

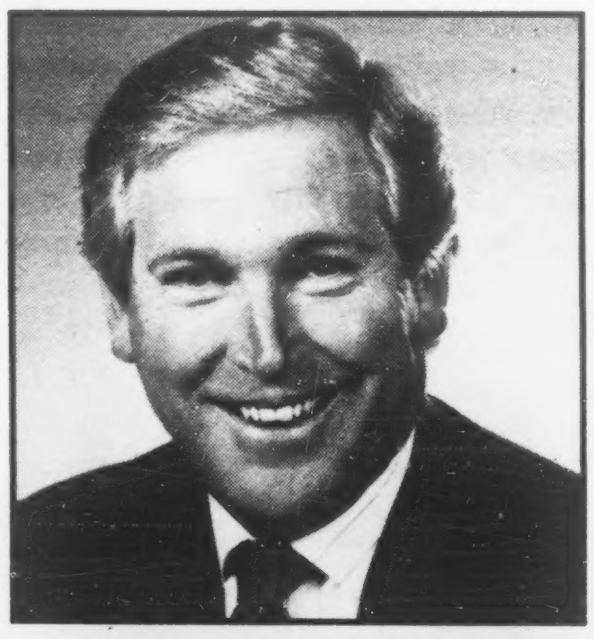
The retail pharmacy is distinctive by the counsel its pharmacists provide. We also must communicate to the medical profession that the prescriber and the pharmacy are a team. The pharmacist does not replace the physician. However, in this busy, product-filled world, counsel by the pharmacist is part of the therapy.

A customer wrote to us about a pharmacist who provided information about a drug being dispensed, saying "never before was I given or told anything" like this information.

"Never before" was this person treated as a participant in her own medication therapy.

Many of us have been busy implementing new management information systems in our chains, recognizing this as a big need in our industry. Such systems deliver high-quality information, necessary for planning and cost-efficiency.

But there's more: information invites participation. And participation helps lay the groundwork of trust.



Tim McAlear, President, ceo, Pay Less

The turbulent economic climate and shifting demographics, along with the continued financial woes, mergers, acquisitions and consolidation of stores in our industry make this a challenging decade.

We are battling increased competition from supermarket combos and discount department stores, as they expand their markets and add pharmacies. In view of this, we are making our pharmacy areas and pharmacists more accessible to our customers. We also opened a mail-order pharmacy—Pay Less Express—this past year in Wilsonville, Oregon.

Our expansion plans for 1991 are aggressive; we anticipate opening 38 new stores this year. Most of our store growth will be in California, in order to obtain a stronghold in this explosive market. The award-winning 45 degree format is used in all new stores and our rate of converting existing stores to this layout is moving at a rapid pace. This store layout allows us to highlight and expand the high traffic power departments, provide critical adjacencies and non-traditional departments.

As margins tighten we are cutting down inventory levels in our stores, but still maintaining an in-stock position. Through POS scanning data and continued pursuit of more advanced technology, we can reduce overhead costs without compromising selection.

As a specialty retailer, we focus on our drug store strengths and pass this on to the customer through personalized service, convenient locations, quality products, extensive assortments of key merchandise and fair prices. We are constantly upgrading our selections and fine-tuning the merchandise mix of core categories.

Consumer preferences are in a constant state of flux and we are actively pursuing them with "chunk merchandising" techniques and micro-marketing. Although consumers are spending less and are more cautious when making purchasing decisions, the basics provided by a drug chain will still be in demand. However, pricing and service will be critical to customer retention and repeat business.

Eugene Applebaum, Chairman, ceo, Arbor

Today, with the expanding lexicon of buzzwords, "corporate culture" describes how an organization manages its opportunities and challenges.

Although Arbor Drugs is still a relatively young company, our corporate culture is firmly established, both in concept and in execution. We are a *stores-driven* operation. At Arbor, every area in our company is here to support our stores' ability to deliver the best overall experience to our customers.

It is no coincidence that every one of our district managers was promoted through the ranks. Each one of these role models first served as a store manager at Arbor. This career path is an important component of our dedication to superior customer service. To understand the pulse of Arbor, one needs to have first-hand experience as a member of our store team. No matter how much larger and more successful our company becomes, the fundamental premise of Arbor Drugs will not change: we will continue to exceed the expectations of customers 365 days a year.

That's why we remain focused on our customer service. That is why implementation, the cornerstone of our corporate culture, is our strategic advantage for the 1990s.

Store consolidation, sales growth mark '90

Evolving character of the chain drug industry

	No. of companies			No. of stores		
Chain store size	**1980**	**1990**	**% change**	**1980**	**1990**	**% change**
Two- to three-store companies	1,908	1,157	–39.4	4,436	2,645	–40.4
Four- to 10-store companies	514	374	–27.2	2,577	1,991	–22.7
11 or more-store companies	152	125	–17.8	12,238	19,105	56.1
Totals	2,574	1,656	–35.7	19,251	23,741	23.3

Source: *Chain Store Guides.*

Average chain drug store performance

Company	Store size (sq. ft.)	Sell space	Sales per store	Sales per sq. ft.
Duane Reade	5,000	5,000	$ 6,139,000	$1,228
Medicine Shoppe	1,200	650	621,000	955
Shoppers Drug Mart	7,500	5,660	4,409,000	779
Longs	23,000	15,410	8,943,000	580
Drug Emporium	25,000	18,500	10,614,000	574
Marc's	30,000	30,000	14,762,000	492
Rock Bottom	20,000	18,000	8,065,000	448
Genovese	12,000	10,500	4,500,000	429
Kinney	8,000	6,500	2,697,000	415
Snyder's	11,000	8,830	3,645,000	413
F&M	24,000	17,000	6,875,000	404
Walgreens	13,800	9,700	3,867,000	399
Wellby	7,293	5,742	2,268,000	395
Arbor	10,800	8,300	3,072,000	370
Thayer	5,500	5,300	1,774,000	335
Discount Drug Mart	18,000	18,000	6,000,000	333
Thrift	9,794	7,651	2,458,000	321
Perry	9,840	9,500	2,886,000	304
American	20,000	18,000	5,426,000	301
Taylor	9,000	8,000	2,381,000	298
Fay's	15,000	12,000	3,416,000	285
Revco	8,600	8,450	2,211,000	262
Rite Aid	6,700	5,800	1,424,000	246
Bartell	12,000	9,000	2,143,000	238
Eckerd	10,000	9,100	2,091,000	230
Thrifty	18,900	14,700	3,155,000	215
K&B	14,100	12,139	2,600,000	214
Carls	12,500	10,000	2,083,000	208
Kerr	9,600	8,000	1,573,000	197
Big B	9,000	7,800	1,511,000	194
Pay Less NW	36,175	26,819	5,115,000	191
Reliable	9,000	7,000	1,298,000	186
Thrifty/White	11,900	9,952	1,775,000	178
Harco	10,000	8,800	1,304,000	148
Phar-Mor	65,000	55,000	6,897,000	125

Source: *Drug Store News* chain drug survey

Top 50 American drug chains: 1990 dollar volume

Rank	Company	Headquarters	Drug store sales (in millions)	% change	Store totals	% change	FY ends
1.	**Walgreens**	Deerfield, Ill.	$6,048	12.4%	1,564	5.4%	8/31/90
2.	**American**[1]	Oak Brook, Ill.	3,695	4.9	681	1.0	2/02/91
3.	**Eckerd**[2]	Clearwater, Fla.	3,500	9.4	1,673	2.6	2/02/91
4.	**Rite Aid**	Shiremanstown, Pa.	3,447	8.3	2,420	2.9	3/02/91
5.	**CVS**[3]	Woonsocket, R.I.	3,288	N.A.	1,351	N.A.	12/31/90
6.	**Revco**[4]	Twinsburg, Ohio	2,490	– 7.8	1,126	– 39.2	6/02/90
7.	**Thrifty**[5]	Los Angeles	2,360	3.6	748	– 2.5	11/30/90
8.	**Longs**	Walnut Creek, Calif.	2,334	10.6	261	5.2	1/31/91
9.	**Hook-SupeRx Inc.**[6]	Cincinnati	1,870	8.1	1,118	3.2	8/31/90
10.	**Pay Less NW**	Wilsonville, Ore.	1,642	10.9	321	9.2	1/26/91
11.	**Phar-Mor**	Youngstown, Ohio	1,600	60.0	232	40.6	6/30/90
12.	**Drug Emporium**[7]	Worthington, Ohio	1,210^E	15.0	212	8.7	2/28/91
13.	**Thrift**	Pittsburgh	1,197	8.1	487	3.4	2/01/91
14.	**Fay's**[8]	Liverpool, N.Y.	673	17.2	197	13.2	1/26/91
15.	**F&M**	Warren, Mich.	660^E	20.0	96	28.0	1/31/91
16.	**Perry**[9]	Pontiac, Mich.	658	– 2.0	228	6.0	10/31/90
17.	**Med. Shoppe**[10]	St. Louis	539	19.0	870	6.0	9/30/90
18.	**Big B**	Bessemer, Ala.	464	11.0	307	3.4	2/02/91
19.	**Genovese**	Melville, N.Y.	432	6.7	96	2.1	2/01/91
20.	**K&B**	New Orleans	416	6.7	160	4.6	9/30/90
21.	**Pic N' Save**	Jacksonville, Fla.	400^E	– 2.4	41	0.0	12/31/90
22.	**Arbor**[11]	Troy, Mich.	341	13.7	98	12.6	7/31/90
23.	**Reliable Drug**	Indianapolis	340	N.A.	262	129.8	7/31/90
24.	**Marc's**	Middleburg, Ohio	310	26.5	21	40.0	6/30/90
25.	**Rock Bottom**	Port Washington, N.Y.	250	18.0	31	14.8	1/31/91
26.	**Duane Reade**	Long Island City, N.Y.	221^E	N.A.	36	9.1	12/31/90
27.	**Super D**	Memphis, Tenn.	180	1.1	102	– 1.0	4/30/90
28.	**Discount Drug Mart**	Medina, Ohio	174	17.6	29	11.5	3/31/91
29.	**Kerr**	Raleigh, N.C.	151	16.2	96	7.9	6/30/90
30.	**SGC Drug Div.**	Woodbridge, N.J.	150^E	7.1	32	3.1	2/02/91
31.	**Harco**	Northport, Ala.	150^E	13.5[12]	115	27.8	7/31/90
32.	**Drug Fair of N.J.**	Somerville, N.J.	150^E	11.9	33	3.1	7/31/90
33.	**Snyder**	Minnetonka, Minn.	134	4.0	62	0.0	7/28/90
34.	**A.D. Clark**	Los Angeles	125^E	12.6	19	0.0	12/31/90
35.	**Medi-Save**	Baton Rouge, La.	109	17.0	116	– 4.9	5/31/90
36.	**LaVerdiere's**	Winslow, Me.	100^E	5.3	65	8.3	1/31/91
37.	**Taylor**	Louisville, Ky.	100^E	0.0	42	– 25.0	9/30/90
38.	**Carls Drug**[13]	Rome, N.Y.	100^E	0.0	48	– 2.1	12/30/90
39.	**Thrifty/White**	Minneapolis	98	2.6	55	0.0	4/30/90
40.	**Wellby**	Scarborough, Me.	93	6.9	41	– 2.4	12/29/90
41.	**Kinney Drugs**	Gouverneur, N.Y.	89	9.9	33	6.5	12/31/90
42.	**Bill's**	Benecia, Calif.	87^E	20.8	26	4.0	4/01/91
43.	**Standard**	Richmond, Va.	82^E	1.2	60	0.0	3/31/91
44.	**Dot Drugs**	Bentonville, Ark.	76^E	2.7	14	0.0	12/31/90
45.	**Bartell**	Seattle, Wash.	75^E	N.A.	35	2.9	12/31/90
46.	**Douglas/Maxidrug**	N. Providence, R.I.	79^E	N.A.	21	0.0	3/31/91
47.	**A.L. Price**	Warren, Mich.	70^E	N.A.	14	0.0	12/31/90
48.	**Love Stores**	New York, N.Y.	66^E	8.2	25	25.0	12/31/90
49.	**Drug Town**	Chariton, Iowa	62^E	8.8	20	0.0	12/31/90
50.	**L.F. Widmann**	McElhattan, Pa.	60^E	0.0	115	– 7.3	12/31/90

E = estimates

[1] These figures do not include 76 Skaggs units and five Jewel-Osco stores in Fla., which are merging with American Drug Stores this year

[2] Includes Eckerd Visionworks stores

[3] Sales and store totals are pro forma for the year. They include 1990 sales and stores of Peoples, acquired by CVS 9/17/90, and Rix-Dunnington, acquired 11/15/90. Year-to-year comparisons are therefore not applicable

[4] After divestiture of 712 stores in 17 states on 3/15/91

[5] Includes Thrifty, Thrifty Jr. and Pay 'n Save stores only

[6] Includes Hooks, SupeRx and Brooks stores

[7] Includes 114 company-owned and 98 franchised stores. In 1989 there were 79 company-owned and 116 franchised stores.

[8] Not including 48-store Carls Drug, for which Fay's has signed a definitive agreement to acquire

[9] Sales decline reflects sale of A.L. Price

[10] Figures based on calendar year, not fiscal year

[11] Current store count is 111

[12] Same store sales

[13] Fay's has signed a definitive agreement to acquire Carl's

Source: *Drug Store News* chain drug survey

Top Canadian drug chains

Company	Headquarters	Drug store sales (in millions, Canadian)	% change	Store total	% change
Shoppers Drug Mart	Willowdale, Ont.	$2,844	9.0%	645	20.0%
Jean Coutu	Longeuil, Quebec	1,600	17.8	181	10.4
London Drug	Richmond, B.C.	600	33.0	35	12.9
Pharmasave	Langley, B.C.	333	NA	174	35.9
Pharma Plus Drugmarts	Toronto, Ont.	320	14.3	153	43.0
Big V	London, Ont.	300^E	21.0	113	9.7
Lawton's Drug Stores	Dartmouth, N.S.	180^E	NA	70	0.0

E = estimated

Source: *Drug Store News* chain drug survey

Chains see sales growth; increase in store remodels

Ten-year drug store growth trend

Year	Total stores	Chain stores	Chain share	Indep. stores	Indep. share
1990	53,595	21,096	39	32,499	61
1989	54,439	20,427	38	34,012	62
1988	54,172	19,859	37	34,313	63
1987	53,963	19,142	35	34,821	65
1986	52,800	18,310	35	34,490	65
1985	52,500	17,740	34	34,760	66
1984	52,139	17,194	33	34,945	67
1983	50,264	16,589	33	33,675	67
1982	49,527	16,144	33	33,383	67
1981	49,310	15,864	32	33,446	68

Source: *Drug Store News* 1991 chain drug survey

Ten-year sales trends

(in billions of dollars)

Year	Total industry	% change	Total chain	% change	Total indep.	% change
1990	$67.6	8%	$43.2	9%	$24.4	6%
1989	62.9	9	39.9	11	23.0	5
1988	57.9	8	36.0	10	21.9	5
1987	53.5	6	32.7	8	20.8	4
1986	50.2	7	30.2	7	20.0	7
1985	47.0	9	28.2	11	18.8	6
1984	43.2	9	25.5	12	17.7	5
1983	39.7	10	22.8	11	16.9	8
1982	36.2	8	20.5	11	15.7	5
1981	33.4	10	18.5	12	14.9	8

Source: *Drug Store News* 1991 survey

50 American drug chains: 1990 store count

Rank	Company	Headquarters	Store totals	% change
1.	**Rite Aid**	Shiremanstown, Pa.	2,420	2.9%
2.	**Eckerd**[1]	Clearwater, Fla.	1,673	2.6
3.	**Walgreens**	Deerfield, Ill.	1,564	5.4
4.	**CVS**[2]	Woonsocket, R.I.	1,351	71.2
5.	**Revco**[3]	Twinsburg, Ohio	1,126	– 39.2
6.	**Hook-SupeRx**[4]	Cincinnati	1,118	3.2
7.	**Med. Shoppe**	St. Louis	870	6.0
8.	**Thrifty**[5]	Los Angeles	748	– 2.5
9.	**American**[6]	Oak Brook, Ill.	681	1.0
10.	**Thrift**	Pittsburgh	487	3.4
11.	**Pay Less NW**	Wilsonville, Ore.	321	9.2
12.	**Big B**	Bessemer, Ala.	307	3.4
13.	**Reliable Drug**	Indianapolis	262	129.8
14.	**Longs**	Walnut Creek, Calif.	261	5.2
15.	**Phar-Mor**	Youngstown, Ohio	232	40.6
16.	**Perry**	Pontiac, Mich.	228	6.0
17.	**Drug Emporium**[7]	Worthington, Ohio	212	8.7
18.	**Fay's**[8]	Liverpool, N.Y.	197	13.2
19.	**K&B**	New Orleans	160	4.6
20.	**Medi-Save**	Baton Rouge, La.	116	– 4.9
21.	**Harco**	Northport, Ala.	115	27.8
22.	**L.F. Widmann**	McElhattan, Pa.	115	– 7.3
23.	**Super D**	Memphis, Tenn.	102	– 1.0
24	**Arbor**[9]	Troy, Mich.	98	12.6
25.	**F&M**	Warren, Mich.	96	28.0
26.	**Genovese**	Melville, N.Y.	96	2.1
27.	**Kerr**	Raleigh, N.C.	96	7.9
28.	**Medicap Quality**	Des Moines, Iowa	75	7.1
29.	**LaVerdiere's**	Winslow, Maine	65	8.3
30.	**Snyder**	Minnetonka, Minn.	62	0.0
31.	**True Quality**	McKinney, Texas	61	7.0
32.	**Standard**	Richmond, Va.	60	0.0
33.	**Thrifty/White**	Minneapolis	55	0.0
34.	**Wil-Car Enterpr.**	Wheelersburg, Ohio	54	6.9
35.	**Taylor**	Louisville, Ky.	42	– 25.0
36.	**Wellby**	Scarborough, Me.	41	– 2.4
37.	**Pic N' Save**	Jacksonville, Fla.	41	0.0
38.	**Begley Drugs**	Knoxville, Tenn.	39	NA
39.	**Duane Reade**	Long Island City, N.Y	36	9.1
40.	**Bartell**	Seattle, Wash.	35	2.9
41.	**Kinney Drugs**	Gouverneur, N.Y.	33	6.5
42.	**Drug Fair of N.J.**	Somerville, N.J.	33	3.1
43.	**May's Drug Stores**	Tulsa, Okla.	32	NA
44.	**SGC Drug Div.**	Woodbridge, N.J.	32	3.1
45.	**Rockbottom**	Port Washington, N.Y.	31	14.8
46.	**Thayer**	Stoughton, Mass.	31	3.3
47.	**Discount Drug Mart**	Medina, Ohio	29	11.5
48.	**Bill's**	Benecia, Calif.	26	4.0
49.	**Medic Discount**	Cleveland, Ohio	23	9.5
50.	**Marc's**	Middleburg, Ohio	21	40.0

E = estimates

[1] Includes Eckerd Visionworks stores
[2] Includes Peoples drug stores acquired 9/17/90 and Rix Dunnington acquired 11/15/90.
[3] After divestiture of 712 stores in 17 states on 3/15/91
[4] Includes Hooks, SupeRx and Brooks stores
[5] Includes Thrifty, Thrifty Jr. and Pay 'n Save stores only, not Bi-Mart
[6] Figures do not include 76 Skaggs units and five Jewel-Osco stores in Fla., which are merging with American this year
[7] Includes 114 company-owned and 98 franchised stores
[8] Not including 48-store Carls drug
[9] 111 stores currently

Source: *Drug Store News* chain drug survey

Chain drug store remodeling

Company	'90 total stores	Number of major remodels		
		1990	1989	1988
Revco	1,126	270	NA	125
Walgreens	1,564	165	166	60
Eckerd	1,674	135	189	267
Rite Aid	2,420	132	237	245
Perry	229	38	50	40
Thrift	487	37	30	14
Medicine Shoppe	870	35	35	30
Pay Less NW	321	21	6	4
Medicap	75	20	8	0
Big B	307	10	12	26
Phar-Mor	232	10	4	NA
Thrifty	748	9	14	37
Bartell	35	8	2	2
Fay's	197	6	NA	5
Snyder's	62	6	8	5
Duane Reade	36	6	6	5
Harco	115	5	5	3
Rock Bottom	31	4	4	5
Longs	261	3	0	NA
F&M	96	3	3	6
LaVerdiere's	65	3	NA	NA
Thrifty/White	54	3	3	4
Medic Drug	23	3	2	3
K&B	160	2	2	4
Kerr	96	2	4	4
Taylor	42	2	1	4
Kinney	33	2	2	2
Thayer	31	2	2	2
Hannaford/Wellby	41	1	NA	2

Source: *Drug Store News* 1991 survey of drug chains.

The year's acquisition activity

Company	Acquisition	Store Locations
Reliable	221 Revco D.S. stores	Ind., Ill., Iowa, Ky., Tenn. (western), Kans., Mich., Mo.
Perry Drug	From Reliable, 16 Revco stores (in May 1990)	Detroit
	From Reliable, 24 Revco stores (June 1990)	Detroit and other Mich. markets
Jack Eckerd Corp.	220 Revco stores	Fla., La., Miss., Okla., Texas
Melville Corp. (CVS)	Peoples Drug Stores (490 stores) from Imasco Ltd.	Washington, D.C.; Va.; W. Va.; N.C.; Pa.; N.Y.
	2 Fantle's stores leases	Wash., D.C.
	23 Rix-Dunnington drug stores	Mass.
Big B	8 Revco stores	Ala., Ga., Miss.
Harco	19 Eckerd stores (in May 1990)	Mobile and Montgomery, Ala.
	2 Revco stores	Ala.
May's Drug Stores	6 Revco stores	Okla.
Concord/Wrigley	Fairlane Drugs (5 stores)	Detroit
RDS	147 Revco stores	Ariz., New Mex., Texas, Colo.
	18 SupeRx store leases	Ariz.
Rite Aid	Becker Discount Drug (10 stores)	Cincinnati
	8 Taylor Drug stores	Ky.
	8 Fantle's store leases; the prescription files of all 65 Fantle's stores	Wash., D.C.
Begley Health Mart	37 Eckerd stores	Tenn. (eastern), Va.
Walgreens	Bought assets of 73 Medicare-Glaser stores	St. Louis
Fay's	Agreement to buy Carls Drug Stores (48 units)	upstate N.Y.
Pay Less	Agreement to buy 51 Osco stores (from American Drug)	Colo., Utah, Wyo.
Maxidrug (Jean Coutu Group's U.S. division)	Merger with 16 Douglas Drug stores	Rhode Island, Conn., Mass.

Source: *Drug Store News* research

Revco sell-off triggers aftershocks in drug industry

Revco D.S.'s plans, announced early last year, to sell 712 drug stores triggered seismic acquisitional activity that changed the drug chain landscape during 1990 even more than the selloff of Peoples' Midwestern division did the year before.

When the dust settled, one new chain, RDS, had emerged as a major player in the Southwest, and several chains had strengthened their positions in various markets around the country.

Reliable Drug in Indianapolis, born of the Peoples' Midwest selloff, almost tripled its size last spring with the purchase of 221 Revco stores in eight states. Reliable then turned around and sold 40 Revco stores in Michigan, in two parcels, to Perry Drug within two months, solidifying Perry's market share in Detroit and putting it in new markets outside Detroit. Perry meanwhile sold A.L. Price, its deep-discount division, to Bill Edwards, former president of F&M Distributors and Revco D.S.

The big gulp

In June, Jack Eckerd Corp., in its largest purchase since going private, gulped down 220 Revco stores in five states from Texas to Florida, fortifying its presence in key markets it already operated in—Dallas-Fort Worth, Oklahoma City and Jacksonville, Fla.

In moves to focus its resources on key markets, Eckerd sold 19 stores in Mobile and Montgomery, Ala., to Harco Drug and sold 37 stores in eastern Tennessee and Virginia to former Kentucky drug store operator Bob Begley and a partner. The respective Eckerd store sales bolstered Harco's position in two key Alabama markets and put Begley back into the drug store arena, with Begley Health Mart.

The selloff of Revco stores continued, with Big B and May's Drug snapping up eight and six stores, respectively, and other drug store operators purchasing one or two Revco units during the spring and summer.

Then, in August, RDS Acquisition Corp., an investment group led by drug and discount store operator Alvin Towle, brought to a close Revco's divestiture program by purchasing about 147 Revco stores in the West and Southwest.

Not long afterward, the RDS group outbid Walgreens and others in U.S. Bankruptcy Court in Phoenix to buy 18 SupeRx leases and the inventory of 22 stores.

During the summer, Imasco Ltd. set off new reverberations in the industry by selling Peoples Drug Stores to Melville Corp., parent of CVS. Although the Peoples name was retained, the 490-store acquisition greatly expanded CVS' reach and ensconced Melville's drug store operations emphatically in the Washington, D.C., market.

Washington, D.C. was the scene of further retail drug store reshuffling. The liquidation of Fantle's Drug Stores was particularly advantageous for Peoples (CVS), Rite Aid, Drug Emporium and F&M. Rite Aid swooped in and snapped up the prescription files and drug inventories of all 65 Fantle's stores and subsequently bought eight store leases. Peoples (CVS) acquired two choice Fantle's store leases. Both Drug Emporium and F&M strengthened their presence in the Washington, D.C. market by landing leases on several sought-after larger stores.

Toward the end of 1990, Jean Coutu Group negotiated a merger of its U.S. operation, MaxiDrug, with 16-store Douglas Drug, which operates primarily in Rhode Island.

Soon after, Walgreens succeeded in buying the assets of 73 Medicare-Glaser stores in the Midwest.

Early in 1991, Fay's acquired Carls Drug, eliminating one source of competition in New York State.

And last month, Pay Less acquired 51 Osco stores from American Drug Stores in Colorado, Utah and Wyoming, giving it an especially solid perch in the Denver market.

Drug chain stock strength quickens investors' pulses

Drug chain stocks showed strength in a stagnant economy, posting hefty gains during the 12-months ended April 1, 1991.

The *Drug Store News* Stock Index ran like a bull: 11 chain stocks soared 45 percent to a record high of 4,153.48, while the Dow Jones Industrial Average rose 7 percent. Ah, recession resistance.

Investors certainly went shopping for shares of Walgreen last year, riding the coattails of that retailer's strong earnings momentum. The bottom line at the retailing giant last year: fiscal 1991 net income rose to $67.4 million from $61.9 million in fiscal 1990. Walgreen was the best performing stock of the lot last year, up 60 percent.

Rite Aid also had a prescription for success last year, and added a hefty $13.25 (or 43 percent) to its share price to close at $43.75. It also boasted a strong income statement.

To capitalize, Rite Aid said it will sell 4.75 million common shares to the public.

Fay's also had a winning formula last year, sprouting 46 percent to $12.75.

Fay's at press time was expected to complete the acquisition of 48-store Carls Drug by the end of April—a deal estimated at $30 million-plus, which could boost Fay's revenue up to 30 percent in 1991.

Arbor Drugs chimed in with impressive numbers, as its stock leapt 45 percent to $26.13 per share. Arbor also posted solid earnings,up 20 percent to $1.15 a share. In the same vein, first half fiscal 1991 earnings rose 11 percent to $6.3 million $200 million sales, up 18 percent.. Coming in May: a 3-for-2 stock split. And Genovese, which doubled its earnings per share to 82 cents, scored a 36 percent stock price gain to $10.38.

Exch	Company	Ticker Symbol	Closing Price 4/2/90	Closing Price 4/1/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend		Annual	
								Rate	Yield	High	Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	5.44	6.88	1.44	26.43	26	0.00	0.00	7.56	4.50
OTC	Arbor Drugs	ARBR	18.00	26.13	8.13	45.14	22	0.20	0.77	24.50	13.25
OTC	Big B	BIGB	10.63	10.63	0.00	0.00	−62	0.00	0.00	12.13	4.75
OTC	Drug Emporium	DEMP	7.38	8.38	1.00	13.56	14	0.12	1.43	11.00	6.25
NYS	Fay's Inc.	FAY	8.75	12.75	4.00	45.71	16	0.20	1.57	13.00	7.25
ASE	Genovese Drug	GDX.A	7.63	10.38	2.75	36.07	13	0.24	2.31	10.88	5.50
NYS	Longs Drug Stores	LDG	40.75	40.50	− 0.25	− 0.61	14	1.04	2.57	43.63	30.88
OTC	Medicine Shoppe	MSII	22.25	24.50	2.25	10.11	22	0.24	0.98	26.75	15.50
NYS	Perry Drug	PDS	8.13	6.38	− 1.75	−21.54	−65	0.00	0.00	9.88	3.75
NYS	Rite Aid Corp.	RAD	30.50	43.75	13.25	43.44	18	1.00	2.29	47.00	29.50
NYS	Walgreen Co.	WAG	21.00	33.63	12.63	60.12	24	0.44	1.31	35.75	20.63

Note: Walgreen Co. completed a 2-for-1 split in February 1991.
Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

ANNUAL REPORT PART II

store formats

Chain drug designers unleash slew of creative new formats

Creativity is alive and well in the back offices and sales aisles of North America's drug chains. From the largest to the smallest, drug chains continue to tinker aggressively with their store designs and retrofit new ideas into older stores at a furious clip.

They have plenty of competition. Food/drug combo powerhouses like Kroger, American Stores, Vons, Smith's Food and Drug, Randall's, Tom Thumb/Page and H.E.B. have all unveiled radically different prototypes since the mid-to-late 1980s, luring customers with seductive store designs that offer a vast array of products and services. The food chains are using glitzy decor, roomy aisles and dramatic mid-floor service islands to enhance their one-stop appeal. It's a powerful weapon.

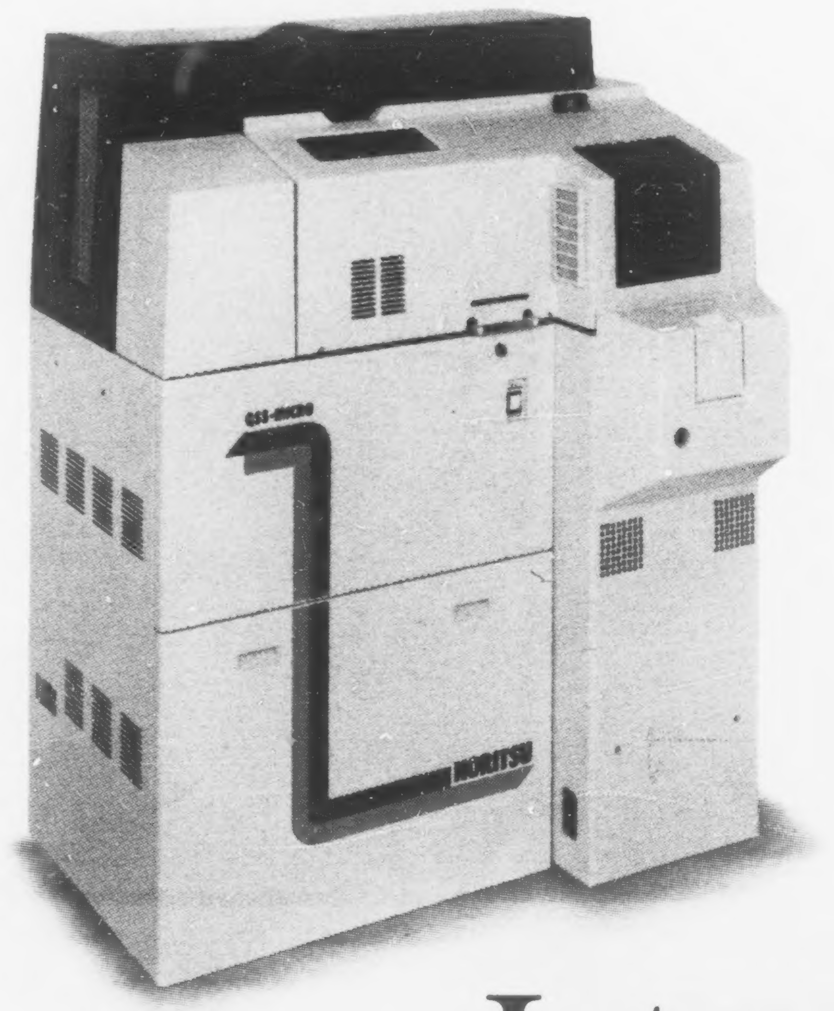
Discount chains like Kmart, Wal-Mart and Target have also gone the redesign route. Kmart, in particular, has begun a rapid rollout of its dramatically redesigned format, which gives pharmacy and HBA stronger play and visibility at the front of the stores. To counter those efforts and maintain their competitive edge, dozens of drug chains are rolling out major and minor redesigns of their own. In general, the state-of-the-art thinking in drug store design includes a much sharper focus on the core departments: pharmacy, cosmetics/fragrances, greeting cards, photofinishing and toiletries. Service islands, bolder signing, alcoves and spotlighting are often used to highlight departments.

Here's some of the past year's highlights:

- Genovese Drug Stores has opened what it calls a "Greenhouse Store" on Long Island to "grow" new ideas. Among them: a bar-code price-check kiosk for customers; a prominent one-hour photo lab and service peninsula; mirrored and accent lighting; snappy, simple departmental signing; sleek permanent aisle modules for special displays.
- CVS' Peoples division has begun developing a new format to incorporate CVS merchandising techniques and decor, with lower fixtures, carpeting, customer-accessible pharmacies, and a somewhat narrower merchandise mix. Some 100 stores will get the facelift this year.
- Bill Edwards and company have completely redesigned A.L. Price since its acquisition last year, with a far more dense and much broader mix.
- Super D Drugs in Memphis unveiled a new format in two stores, with front-of-store cosmetics counters; mini-food departments; and fewer promotional items.
- Snyder Drug Stores in Minneapolis rolled out its new prototype Jan. 13. Highlights include "Yes Express," a new service center with shipping, faxing, ticketing, customized printing and other services; service cosmetics island which

Continued on page 34

Upgraded cosmetics-fragrance departments grew more common at conventional chains this past year, as at Fay's, Syracuse, N.Y.



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Other vital stats: diversification, competition

Top deep discounters

Company (parent)	Headquarters	$ sales (millions)	% change	Stores	% change
Phar-Mor	Youngstown, OH	$1,600	60.0%	232	40.6%
Drug Emporium*	Worthington, OH	1,210E	15.0	212	8.7
F&M	Warren, MI	660E	20.0	96	28.0
Pic 'N Save (Nat'l Merchandise Co.)	Jacksonville, FL	400E	– 2.4	41	0.0
Marc's	Middleburg, OH	310	26.5	21	40.0
Rock Bottom	Port Washington, NY	250	18.0	31	14.8
Freddy's (Melville)	Woonsocket, RI	194	20.7	29	16.0
Drug Palace (Rite Aid)	Shiremanstown, PA	82E	1.2	40	0.0
Dot Drugs	Bentonville, AR	76E	2.7	14	0.0
A.L. Price	Pontiac, MI	70E	NA	14	0.0
Rx Place (Woolworth)	New York, NY	66E	NA	22	100.0
Drug World (SupeRx)	Cincinnati	40E	NA	13	0.0
Drugs for Less (Big B)	Bessemer, AL	40E	NA	18	12.5
Cost Cutters (Community Distributors)	Somerville, NJ	37E	NA	8	NA
Sid's	Hudson, OH	32E	NA	7	NA
Joel & Jerry's	Largo, FL	26E	NA	6	NA
Drug Castle (Brown)	Springfield, OH	25E	NA	3	NA
Price Less	Sacramento, CA	17E	13.3	3	50.0
Ike's (Super D)	Memphis	16E	NA	4	0.0
Maxidrug (Douglas)	W. Springfield, MA	15	25.0	5	25.0
Great American (Genovese)	Melville, NY	6E	NA	2	0.0
Jake's	Brockton, MA	5E	NA	1	0.0

*114 company-owned and 98 franchised stores
E = estimate

Source: *Drug Store News* 1991 chain drug survey

Retail diversification of major retail chains

Company	Store type	No. of stores 1990	1989
Harco	Auto parts Home health	33 11	29 NA
Walgreens	Home health	4	4
Eckerd	Eye care superstores Optical Express photo labs	44 41 258	29 71 126
Medi-Save	Optical	25	4
Big B	Home health Deep discount	3 18	5 16
Rite Aid	Deep discount Book stores Dry cleaning Auto parts	40 62 172 79	40 48 168 74
Fay's*	Auto parts Stationery	26 26	24 17

* Does not include Carls Drug 48-store purchase
Source: *Drug Store News* chain drug survey

Mass merchandisers with pharmacy

Company	Headquarters	No. of stores	No. of Rx depts.
Kmart	Troy, Mich.	2,300	1,223
Wal-Mart	Bentonville, Ark.	1,578	1,095^E
Fred Meyer	Portland, Ore.	122	96
ShopKo	Green Bay, Wis.	107	103
Bi-Mart	Portland, Ore.	43	43
Pamida	Omaha, Neb.	177	23
Target	Minneapolis	420	21
Fedco	Santa Fe Springs, Cal.	9	9
Caldor	Norwalk, CT	122	3

Source: *Drug Store News* survey

Chains unleash new formats

Continued from page 33

maintains files on important customers; upgraded, patient-friendly pharmacy layout; and STARS (Snyder's Total Automated Retail System).

- Walgreens has begun the long-awaited redesign of its cosmetics/fragrance departments, which company officials acknowledge is out of date. Already being tested are drive-through pharmacies.
- Pay Less Drug Stores is scoring a hit with most customers with its "45" store design, first unveiled two years ago and now up in more than 50 stores. The format is a total redesign, with wide aisles radiating out from a central cosmetics arena to core perimeter departments like pharmacy and photo. The format allows for far more endcaps and easier shopping.
- Perry Drug Stores is also moving ahead rapidly with chainwide renovation to its "Store of the '90s" format. Another 38 stores were overhauled last year, and 40 more are on tap in '91.

Leading supermarket companies with pharmacies

Company	Total stores	No. with Rx depts.	% change	Company	Total stores	No. with Rx depts.	% change
Kroger	2,245	491	3.8%	**Homeland**	109	48	NA
Safeway	1,118	393	NA	**National Supermarkets/ Kare Pharmacy**	57	47	56.7%
Albertsons	523	258	14.2	**Stop & Shop**	116	42	40.0
Jewel Osco[1]	143	143	1.4	**Randall's**	40	40	14.3
Pathmark	142	137	– 1.4	**Schnuck's**	56	39	30.0
Lucky Stores[1]	411	118	51.3	**Wegman's**	42	38	–15.5
Gi[illegible] Food	150	102	5.2	**Farm Fresh**	64	37	– 7.0
Vons	328	96	–17.9	**Dillon's**[2]	61	36	9.1
Smith's Management	96	94	6.8	**Tom Thumb/Page**	59	36	–25.0
H.E. Butt	154	92	–14.0	**Consumers Markets**	37	30	30.4
Shop Rite	110	89	6.0	**Publix**	368	29	38.1
Skaggs Alpha Beta[1]	81	81	– 6.9	**Dominick's Finer Foods**	95	29	93.3
A&P Supermarkets	1,237	66	–12.0	**Minyard**[3]	75	29	12.5
AppleTree (Safeway Stores)	96	64	– 3.0	**Buttrey Food-Drug**	27	27	–49.1
King Soopers[2]	66	64	– 3.0	**Hannaford Bros.**	74	26	49.0
Raley's	61	61	8.9	**Bruno's**	207	20	25.0
Giant Eagle	130	58	28.9	**Smitty's Super Valu**	24	20	–16.7
Meijer	59	56	7.7	**Erickson Food & Valu Drug**	16	16	14.3
Furr's	141	54	–15.6	**Carr's Quality Centers**	14	14	7.7
Grand Union	304	53	26.2	**Dahl's Food Markets**	13	13	0.0
Kash 'n Karry	117	49	6.5	**Foodway**	32	12	20.0

[1] A division of American Stores [2] A division of Kroger [3] Includes 10 pharmacies in 19 Sack 'n Saves

Source: *Drug Store News For the Pharmacist* research, Towne-Oller, *Chain Store Guides*

Computer breakthroughs helping chains mind their own business

Drug chains are gaining more control over their businesses, thanks to new technology and computer-based systems.

POS, pharmacy and direct store delivery systems, for example, give chains central control over pricing and other functions. And headquarters can respond fast to local variables.

Stores reference centrally-maintained files for current data, whether it be on the price of a bottle of shampoo, or on the eligibility of a patient in a third party prescription plan. Headquarters receives timely windows on store activity, particularly if files are being updated in a "real time" mode.

As chains obtain clearer, more frequent views of what is happening in their stores, they are better positioned to take the right approach with their customers.

Revco and Thrift were the major chains reaching 100 percent rollout of advanced POS systems with scanning. Pay Less has mostly completed its installation. Kinney, Discount Drug Mart and Dot Drugs virtually reached 100 percent.

On a large scale, Walgreens surged forward, with its equipping of 51 percent of stores this year. CVS moved from zero to 15 percent.

Yet, not all chains are commited to scanning, though they may be using advanced systems and capturing price/item sales by manual key-in of a product code. Eckerd stayed with a small group of scanning stores. Rite Aid didn't increase scanning. Longs still has a small group. Genovese and Big B didn't strongly increase tests.

However, Revco foresaw thousands of dollars in savings per store per year as all 1,126 stores were installed. Tailored software features allowed automatic discount deductions for Revco programs. Executives anticipated improved merchandising from the close sales tracking and fast reception of results. Buyers got monthly sales reports compared to the quarterly reports before.

Checkout productivity isn't as high on drug chains' want lists as at groceries. The exception: deep discounters, which do grocery-sized volumes. F&M Distributors cost-justified its NCR POS system on labor savings from checkout productivity.

Chains must ensure the prices in their electronic price files at checkout match those on shelves. In a typical supermarket setting where shelf audit procedures aren't carefully observed, a high percentage of prices don't match, shelf audit system industry sources maintain. Correct procedure can reduce errors to 2/10 of one percent.

Shelf audit systems by Telxon and Symbol MSI debuted this year. Revco, for example, uses Telxon's radio frequency system. The "RF" system employs the same "spread spectrum" technology used in new "wireless store" systems in which cash registers and controllers are linked by radio wave. By speeding shelf audit, RF and the portable terminals employed with it free store managers further from adminstrative tasks and allow for more customer service.

Control of DSD products was also addressed to improve on the traditional "blind" receipt of products. To be sure products delivered at the back door are the correct SKUs, count and price, "RF" or "batch" technologies are now being used with portable terminals.

Receiving associates could be on-line to a personal computer, or files with purchase orders could be downloaded into a portable to be summoned when needed. The vendor's invoice becomes null and void, as the store dictates the invoice, and central control predominates over direct-delivered products.

Pharmacy upgrade

Pharmacy systems continued to be upgraded. Hook-SupeRx's three divisons, for example, launched a drug utilization review program, after enhancing pharmacy software that resides centrally in the Pawtucket, R.I. headquarters of Brooks Drug. Pharmacists have on-line access to needed information.

Thrift in Pittsburgh added functions that alert pharmacists to generic drug equivalents, and verify doctors' DEA registration numbers for controlled substances. As at HSI, Thrift pharmacists perform third-party transactions by referring to a central data base where all information is held for on-line access and updating. Perry launched its similarly-centralized PerryLink.

More chains implemented buying software, or so-called "foreasting" systems for replenishment and on-deal buying. The systems allow accurate prediction of demand, and weigh financial factors. Accurate ordering improves service levels, while allowing overall inventory reduction.

You're looking good at Genovese!
CHECK YOUR PRICES HERE
LIGHTERS
DRESS-UP

Customer loyalty is built in many ways, such as this kiosk at Genovese, Bay Shore, N.Y., where shoppers can check prices.

Drug chains with scanning

Company	No of. stores	No. with scanning	% with scanning
Revco	1126	1126	100.0
Walgreens	1564	800	51.2
Rite Aid	2420	600	24.8
Thrift	487	476	97.7
Pay Less NW	321	300	93.5
CVS	1351	202	15.0
Thrifty	748	172	23.0
Big B	307	115	37.5
Fay's	197	110	55.8
F&M	96	96	100.0
Kinney	33	31	93.9
Eckerd	1674	29	1.7
Discount Drug	29	28	96.6
Arbor	111	20	18.0
Phar-Mor	232	20	8.6
Dot Drug	14	14	100.0
Genovese	96	8	8.3
Snyder's	62	7	11.3
Longs	261	6	2.3
Lewis Drugs	7	6	85.7
I Got It At Gary's	4	4	100.0
LaVerdiere's	65	2	3.1
Drug Barn	6	1	16.7

Source: *Drug Store News* 1991 chain drug survey

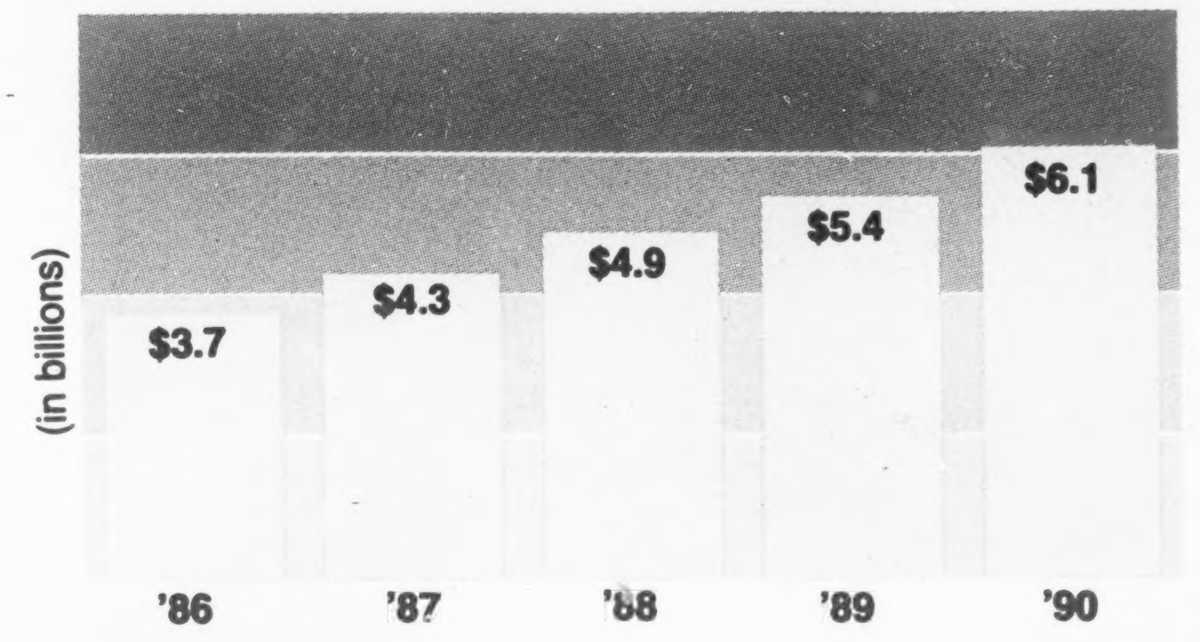
Top warehousing drug chains

(Ranked by 1991 distribution center square feet)

	1990		1991	
Company	No. of DCs	Total sq. ft.	No. of DCs	Total sq. ft.
CVS	4	2,075,000	5	3,194,000
Walgreens	7	2,378,000	8	2,745,000
Revco	8	2,070,622	5	N/A
Eckerd	6	1,860,000	6	1,900,000
Thrifty	8	N/A	5	1,804,000
Rite Aid	5	1,389,000	5	1,389,000
Phar-Mor	3	1,185,000	3	1,185,000
Pay Less	2	1,000,000	2	1,000,000
Fay's	2	730,000	2	760,000
Thrift	3	668,572	3	691,000
K&B	2	453,000	2	453,000
Big B	2	400,000	1	440,000
Perry	1	400,000	1	400,000
Snyder's	1	365,000	1	365,000
Marc's			2	300,000
Genovese	1	255,000	1	265,000
Wellby	1	280,000	1	250,000
Reliable Drug	1	250,000	1	250,000
Rock Bottom	1	200,000	1	250,000
Arbor	1	233,600	1	233,600
Wil-Car	1	193,000	1	193,000
Harco	2	185,000	2	190,000
Discount Drug	1	160,000	1	181,000
Duane Reade	1	150,000	1	160,000
Kerr	1	108,000	1	125,000
Medicine Shoppe	2	120,000	2	120,000
Kinney	1	115,000	1	105,000
LaVerdiere's	1	100,000	1	100,000
Bartell	1	50,000	1	80,000
F&M	1	77,000	1	77,000
Medic Discount	1	38,500	1	38,500
Thayer	1	37,500	1	37,500
Medi-Save	1	28,000	1	28,000
Super D	1	25,000	1	25,000

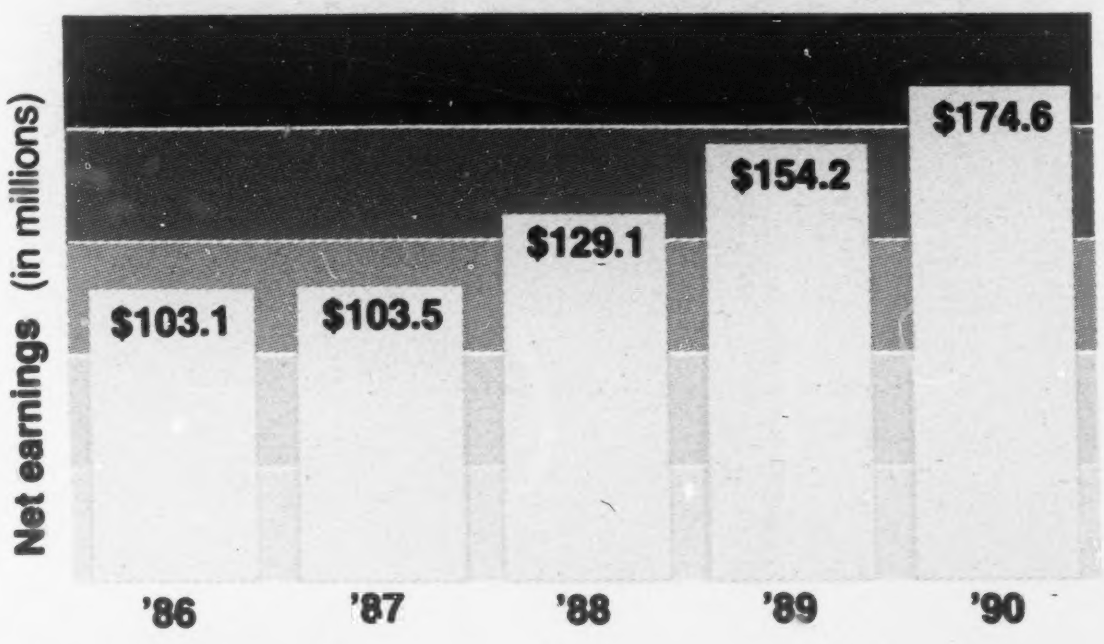
Source: *Drug Store News* chain drug survey

Walgreens five-year sales trend



FY ended Aug. 31, 1990
Source: Company reports.

Walgreens five-year earnings trend



FY ended Aug. 31, 1990
Source: Company reports.

Walgreen Co. retains strong hold on top industry spot

CHICAGO — Like the city in which it was born 90 years ago, Walgreen Co. makes no little plans. The chain drug giant will spend another $200 million this year on new stores, renovations, retail automation and other capital improvements in a determined bid to outrun any signs of complacency.

Walgreen's ongoing efforts should be enough to keep it solidly at the top of the chain drug industry through the 1990s, barring some major unforeseen upheaval. The chain has spent over $1 billion since the mid-1980s to expand its store base, increase market share around the U.S. and arm itself with the technological expertise to carry it into the 21st century. It is now spending roughly $130 million—over $80,000 per store—on POS scanning and inventory management systems over a 3-year period.

That's one of a slew of programs aimed at boosting productivity and streamlining the Walgreens machine, already one of the most efficient money-making powers in all of retailing. The reason for all this effort by the nation's most profitable, highest-grossing drug chain is simple, according to company executives. "Either you're getting better in this business, or you're getting worse," said chairman and ceo Cork Walgreen early this year. "I'm convinced the key to Walgreen's success in the future will be to have the strategy—let's call it the abiding attitude—of continual improvement."

Thus, the chain has already installed more than half its 1,599 stores with scanning systems, and should have chainwide POS scanners by the end of the year. It has eliminated price-stickering in most of its scanning stores, saving boodles of labor time and money, as well as checkout errors. It has also developed a new, computerized scanning system for photofinishing orders which will greatly speed up that process.

Also emerging is the Strategic Inventory Management System (SIMS), a vast automation project which will eventually tie all aspects of buying, merchandising and inventory control into a "smart," closed-loop system. SIMS will give buyers, store managers and advertising/merchandising directors unprecedented information to cater to the specific needs of its customers in every market, with just the right level of merchandise on the shelves.

Walgreens courts shopping families with well-assorted core departments, convenient locations and state-of-the-art technology.

"Our first SIMS marketing system gives buyers much tighter control and better online, real-time knowledge of merchandise movement," said Walgreen president Dan Jorndt. "They'll be able to electronically track orders from vendor to distribution center to store."

SIMS has eaten up tens of millions of dollars in investment costs and the full-time efforts of scores of programmers and support staffers for the past three years. The first aspects of the huge system are now in place in some warehouse systems, and tests at store level are going on in a Milwaukee pilot project.

Sales, earnings up

Automation projects aside, the past year has been a banner one for Walgreen in other ways, as well. In fiscal 1990, the chain passed the $6 billion sales mark and earned a record $174.6 million. Prescription sales, in particular, boomed ahead another 21.3 percent to $2 billion—a full third of the company's total revenues.

Meanwhile, the chain opened another 104 new drug stores and two RxPress units during fiscal 1990, and will add roughly 110 more units this year. The chain acquired Lee Drug's nine stores in New England last year, building its rapidly growing presence in the Northeast. A total of 42 sites are approved in that part of the country through 1993, according to Jorndt, as well as 39 more sites in California. Major store renovations are also continuing at an aggressive pace, with 165 stores overhauled last year.

Walgreen sees growth opportunities in expanded suburbia, regentrification of city neighborhoods, the demand for conveniently located smaller stores, and consolidation within the chain drug industry, Jorndt said. "We're prepared to handle a major acquisition, with the experience of Medi Mart behind us," he added.

Walgreens at a glance

Name: Walgreen Co.
Headquarters: Deerfield, Ill.
Officers: Charles R. Walgreen III, chairman and ceo; L. Daniel Jorndt, president and chief operating officer.
Sales: $6.05 billion
Store count: 1,588 currently. 1,564 at FY-end 8/31/90.
Average store size: (9,700 square feet selling)
Market reach: coast to coast
1990 Highlights: 16th straight year of record sales and earnings; acquisition/consolidation of Medicare-Glaser in St. Louis and Lee Drug in New England; progress in scanning and Strategic Inventory Management System programs; Dan Jorndt's first year as president; opening of Mount Vernon, Ill. distribution center.

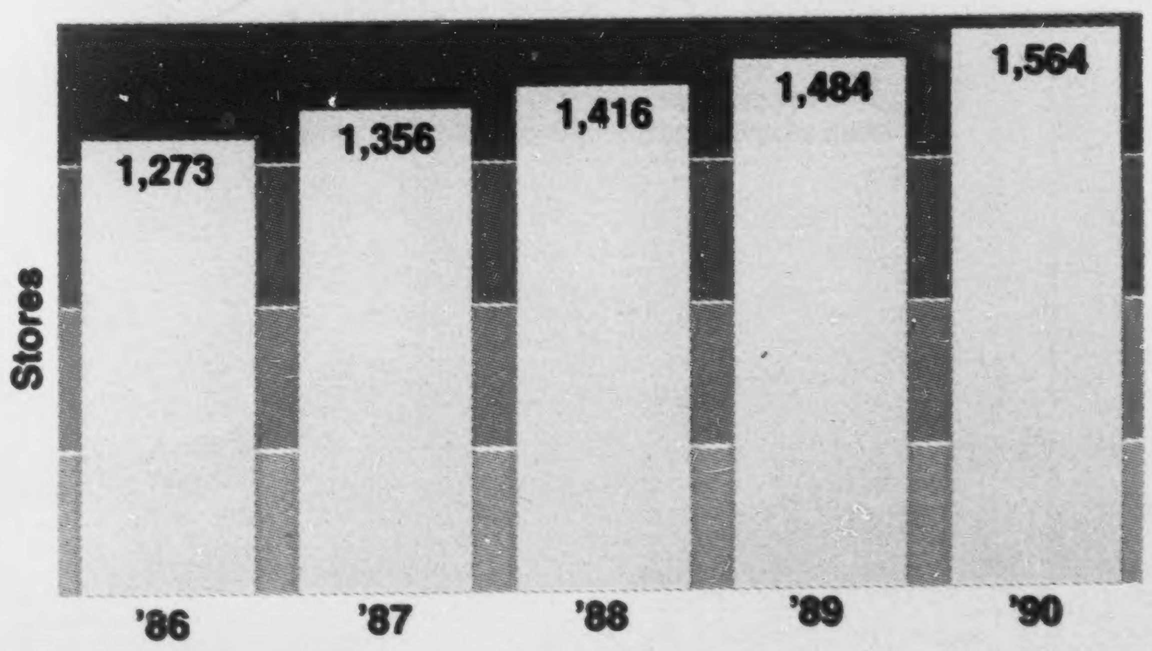
Along those lines, the chain acquired the assets of 73 Medicare-Glaser stores in St. Louis late last year for $12.2 million in a bankruptcy auction. The deal is a coup for the chain, which closed most of the stores and folded their business into its own store base in a move which was bound to beef up its market share.

In the works for this spring is the chain's entry into Evansville, Ind.—not with conventional stores, but initially with six RxPress units. These shoebox-sized, 2,000-square-foot retail pharmacies give the chain a new growth niche; said Walgreen, "We'll be tracking these stores closely."

Walgreen is also redesigning its pharmacy work stations and is testing new, storewide designs aimed at bringing the stores into the 21st century. One aspect under development: a wholly redesigned cosmetics/fragrance department, which company execs admit is one area of the store that needs updating.

Also in test is a drive-through pharmacy on Belmont Avenue in Chicago. Customer response has been positive enough to prompt Walgreens into expanding the drive-through concept; all six RxPress pharmacies in Evansville will offer it when they open this year.

Walgreens five-year store count trend



FY ended Aug. 31, 1990
Source: Company reports.

American Drug consolidating following management overhaul

> One move gave American Drug control over three chain drug banners nationwide: Osco, Sav-on and Skaggs.

OAK BROOK, Ill. — For American Drug Stores and its corporate parent, American Stores, the past year has brought some big changes. The chain drug giant pushed through major shifts in management, made plans to exit two of its top western markets and effectively entered another with its takeover of Texas-based Skaggs, another division of its parent company.

That move gives American Drug control over three chain drug banners nationwide: Osco, Sav-on and Skaggs. It also clears the decks at Salt Lake City-based American Stores by putting all drug store operations—with the exception of the combo store operations of Lucky Stores and other supermarket divisions—under one corporate roof in Illinois.

As the drug store side of the Skaggs Alpha Beta stores in Texas, Oklahoma, New Mexico and Arkansas, Skaggs' operations and merchandising were folded under the Osco corporate wing as of early this year. Osco created a new southern region, based in Skaggs' Richardson, Texas, headquarters, and named Bill Bates its regional vp in charge of the 76-store Skaggs stores. Bates had last served as a central-region district manager for Osco.

Also included in the in-house corporate merger was the drug store side of the new, five-store Jewel Osco division in Florida. Both Skaggs and Osco will retain their former logos.

American regional counsel Ben Mazow called the blending of Skaggs into Osco "a way to leverage up some greater drug retailing expertise from Osco, and. . .a way to tie into their MIS systems, warehousing, pharmacy operation and other systems."

Combo store experience

Moreover, Osco's managers also have plenty of experience in combo store partnerships with Jewel Food Stores.

The past year has also brought continued downsizing of the Osco division, however. American Drug agreed last month to sell all 51 Osco stores in three western states—Colorado, Utah and Wyoming—to Pay Less Drug Stores for roughly $60 million. If finalized, the deal will mark Osco's departure from big markets like Denver and Salt Lake City. Osco is also known to have explored the sale of stores in other major western markets like Phoenix, and Osco units in other scattered markets have also been sold in the past two years. Osco also sold 24 stores to Pay Less in the Northwest four years ago.

The latest deal with Pay Less will cut American Drug Stores to 631 Osco and Sav-on stores in 24 states, in addition to 76 Skaggs units and five Jewel Osco stores in western Florida. Prompting the deal is American Stores' ongoing effort to raise money for debt payments and cut operating costs in all its retail divisions. Thus, the company has taken a microscope to its regional store divisions and is applying tough productivity standards to all its 1,848 food, drug and combo stores nationwide.

"We will continue to build new stores and remodel and update existing ones. And we will continue to dispose of marginal and unproductive stores and assets," American Stores chairman and ceo Jonathan Scott promised last summer.

True to that prediction, the company last year also sold its Buttrey combo stores in the Northwest, and put its Acme Markets division in the Northeast on the block. Last month, American also struck a deal to sell the bulk of its Alpha Beta supermarkets in California to Food 4 Less.

For American Drug Stores, the past year also saw the culmination of a sweeping and prolonged series of changes in the executive ranks. Early last year, a hemmorhage of upper- and middle-management helped lead to the resignation of former American Drug ceo Dick Scott.

Under his replacement, Dave Maher, the company instituted a new series of management shifts. Maher created new top management posts for both Osco and Sav-on, naming Chicagoland Osco regional vp Steve Mannschreck to head all Osco operations as executive vp; and Richard Davis, former eastern region vp, as executive vp in charge of Sav-on on the West Coast.

Meanwhile, a number of key executives continued to leave American Drug last year, including former senior vp-marketing Ron Grove and vp-marketing Dale Bystrom. Following their departures, the company combined the posts and named former vp-distribution Arlyn White executive vp-marketing.

American Drug's efforts to retool its management, cut operating costs and boost productivity bore fruit in fiscal 1990. Pre-LIFO operating profits for the drug store division were up 11.3 percent last year, to $177 million, and sales grew 4.8 percent, to $3.7 billion.

American Drug at a glance

Name: American Drug Stores, Inc.

Headquarters: Oak Brook, Ill.

Officers: Dave Maher, chairman, president and ceo; Richard Davis, executive vp/chief operating officer, Sav-on; Stephen Mannschreck, executive vp/chief operating officer, Osco.

Sales: $3.69 billion

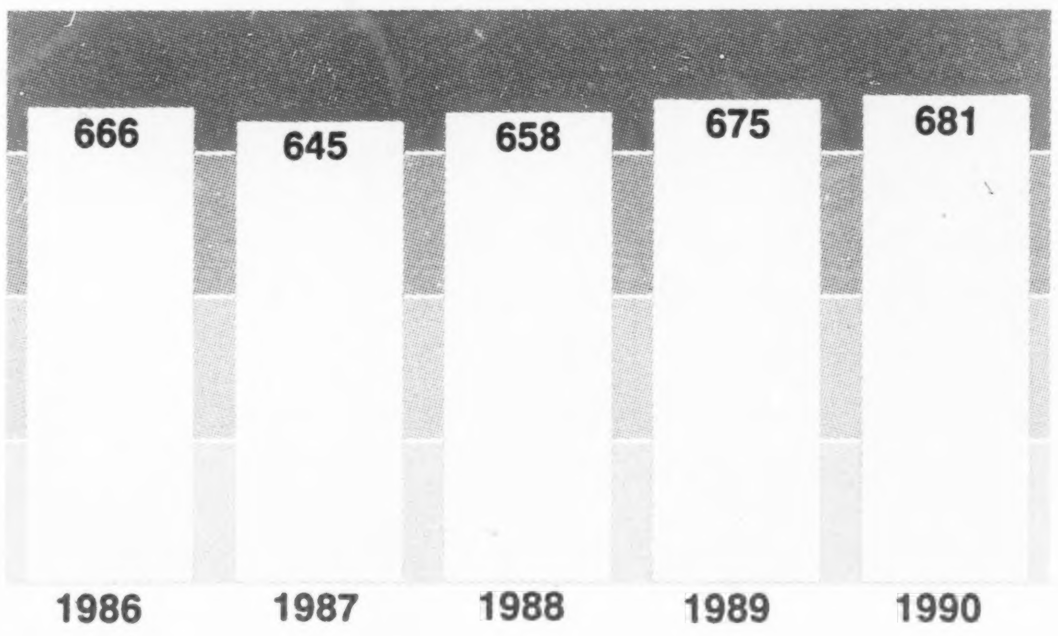
Store count: 681 Osco and Sav-on units; 76 Skaggs; five Jewel Oscos of Florida, at FY-end 2/2/91.

Store size: 21,376 square feet (16,684 selling)

Markets: Coast-to-coast

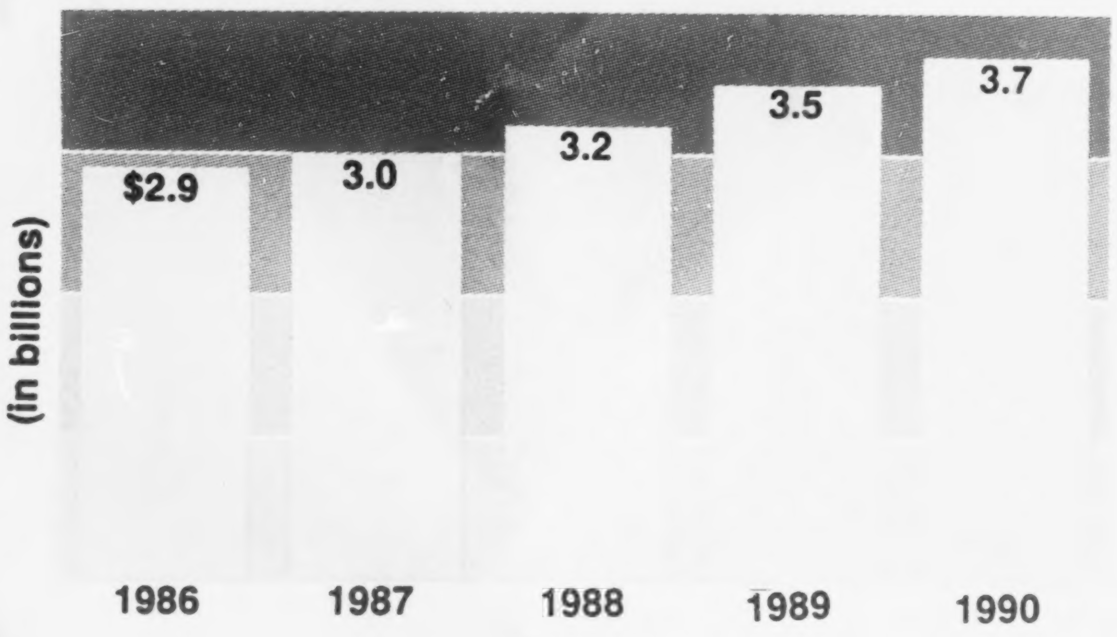
Highlights: Incorporation of Skaggs division; major management overhauls continued; resurgence of Sav-on and Osco presence in many markets; deal to sell 51 western Osco units to Pay Less.

American Drug store count



FY ended 2/2/91.
Includes 142 Jewel Osco combination stores.
Source: Company reports.

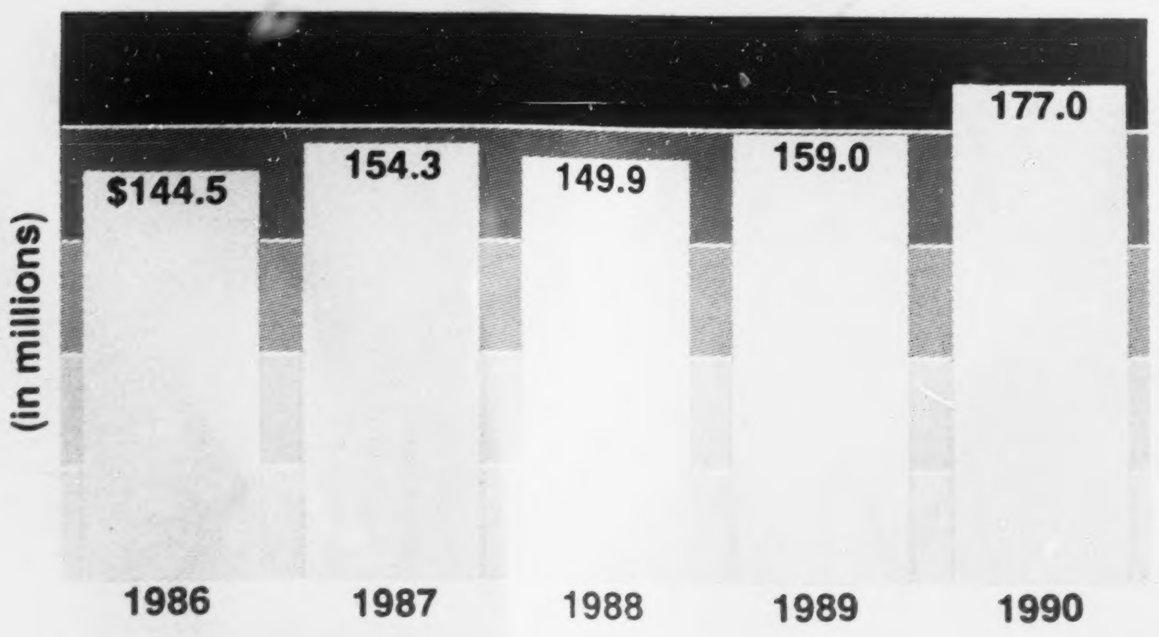
American Drug sales



FY ended 2/2/91.

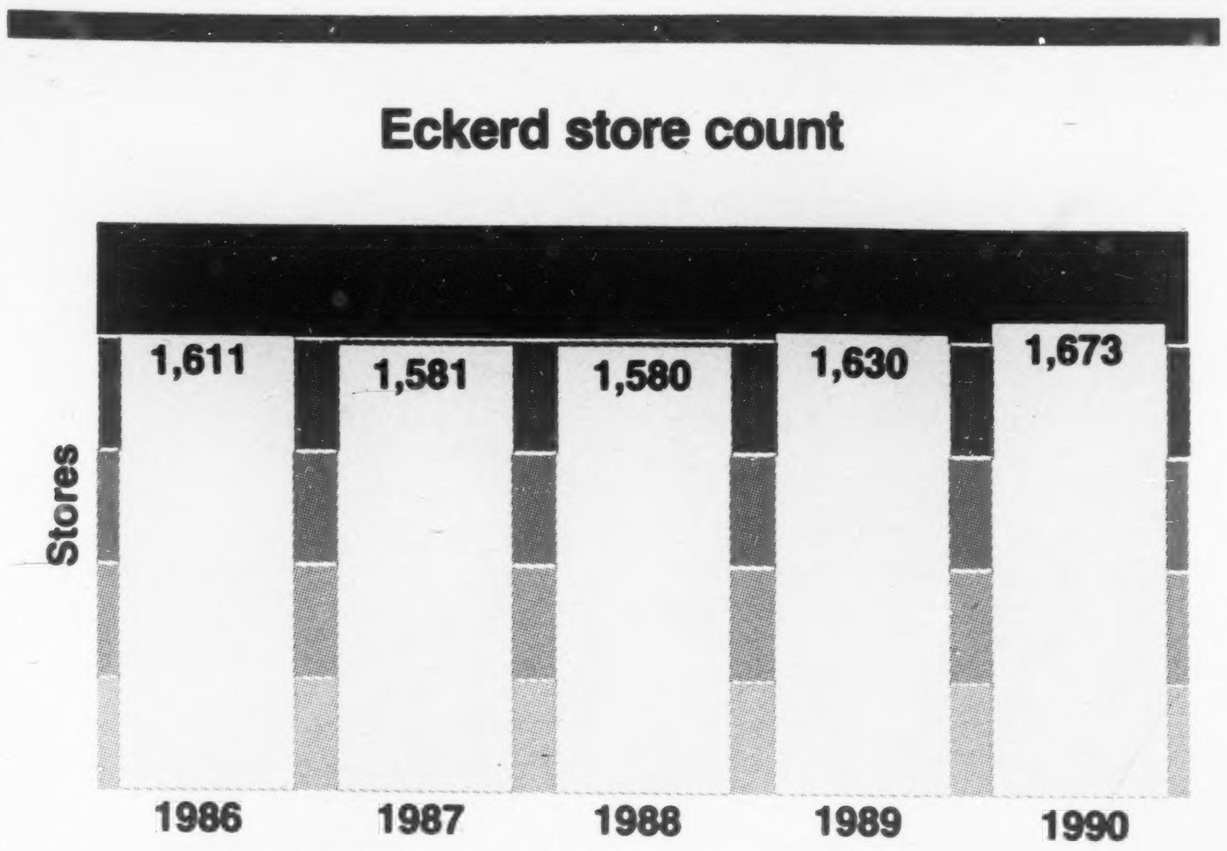
Source: Company reports.

American Drug earnings*

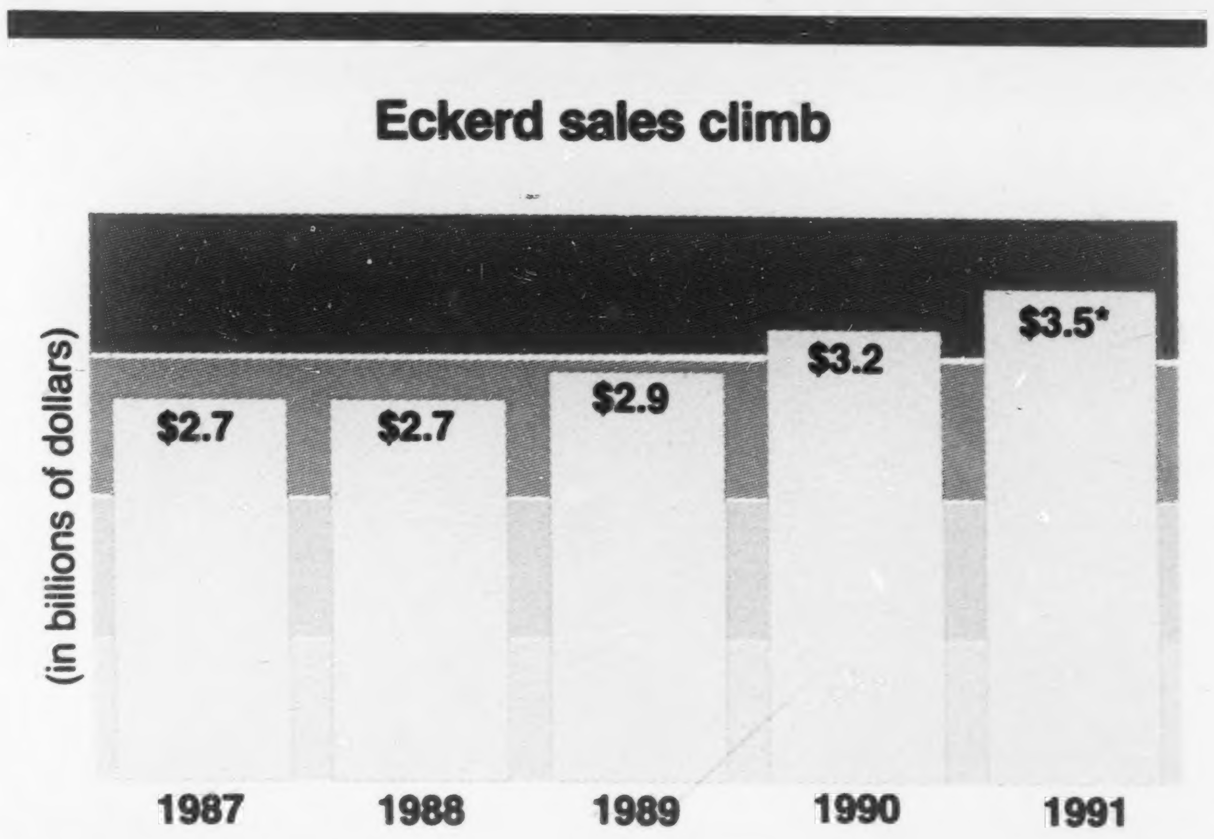


*Figures are pre-tax, pre-LIFO operating earnings.
FY ended 2/2/91.
Source: Company reports.

> American Stores has taken a microscope to its regional store divisions and is applying tough productivity standards.


Eckerd store count

Source: Company reports.


Eckerd sales climb

*Estimated
Source: Company reports.

Eckerd gets No. 2 store-count spot, sees big net growth

Eckerd spent this past year vigorously buying, combining and selling stores to consolidate and fortify its markets. By the end of the 12 months, its roster had grown by 43, including the top-performing Revcos among the 223 it bought last summer.

The fiscal year ended Feb. 2, 1991 was the second consecutive period of significant net growth in stores, having added 50 stores in 1989. Eckerd ended the year as No. 2 in industry store count rankings, at 1,673.

Behind this growth: the goal to stress markets where share is already at or near the top, and exit those with less promise.

At the start of the year, Eckerd sold 37 stores in eastern Tennessee and Virginia to Bob Begley, and 27 stores in southern Alabama to Harco.

Then, having bought the seven-store Hilley chain of Dallas-Fort Worth, and 16-store Dunaway Drugs in Georgia, Eckerd acquired six stores in Tulsa. After that came the big bang: 223 Revcos in Florida, Louisiana, Mississippi, Oklahoma and Texas—for an estimated $80 million last summer. (The purchase was made jointly with Eckerd's LBO partner, Merrill Lynch Capital Partners).

Many stores were in solid Eckerd markets: Dallas-Fort Worth (82), Austin (18), San Antonio (14), Oklahoma City (14), Jacksonville (13) and Pensacola (10).

By this January, the chain had remodeled and was operating 98 of the Revcos. The rest had been closed with the script files and business transferred to other stores.

Eckerd plans to maintain its pace of adding 25 to 50 stores a year, though that is partly contingent upon levels of shopping center construction, which is slumping. The chain will concentrate growth within its 13 states of drug store operation—one less than last year after all its drug stores in Virginia were sold.

Spartan remodeling

As for formats, the Spartan remodeling program is ongoing, as stores reach five years of age and qualify for a remodel. Eckerd ended the year with 1,200 Spartans after renovating about 200.

Other formats also expanded in presence. Eckerd added 16 new Visionworks Eye Care Centers, ending with 44. And the Express Photo program providing one-hour photo processing gained 69 new drug store installations, for a 258-store total.

In a difficult financial market, the company was able to refinance some of its debt. It placed $123 million senior secured notes with Merrill Lynch Capital Markets to refinance senior bank debt, and provide working capital.

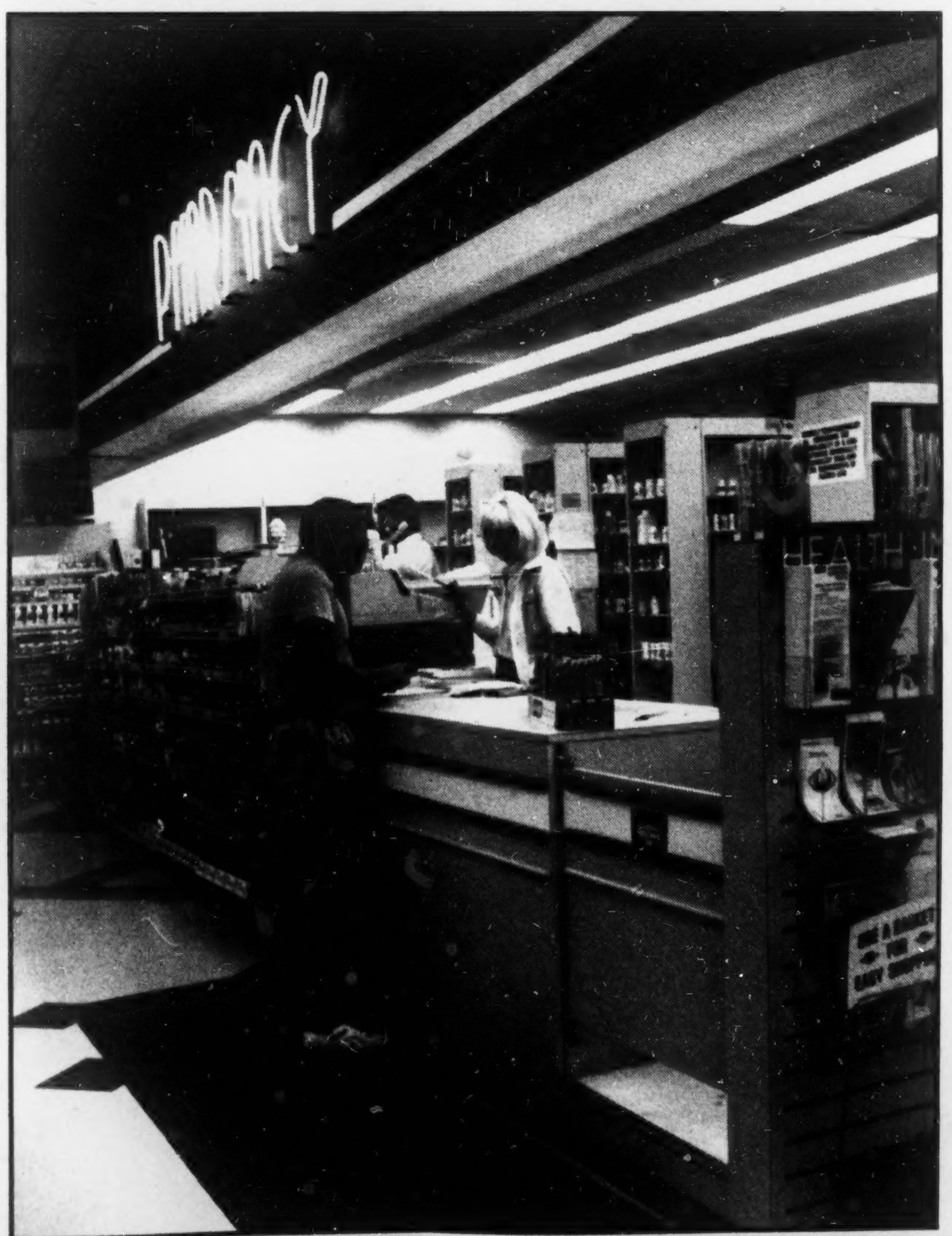
In the fifth year of its leveraged buyout, Eckerd posted record sales of $3.5 billion, about 9.4 better than the previous year. Its cash position was also strong, at $162 million, which was 59 percent above last year and left the company able to meet expenses and make investments.

As Eckerd has driven sales growth, it has held down expenses. The company focused on shrink, hiring Lewis Shealy, former loss prevention head at Marshall Field's department stores, as chief of a reorganized security department. Shealy was expected to continue a strong civil recovery program at Eckerd, while tightening the lines of command with regional loss control directors.

Also, James Ray was hired as vp-systems development.

On the technology front, the chain reported that 297 stores were capturing item movement at the checkout, up from 275 a year ago. And scanning is in 29 stores, up from six a year earlier.

Eckerd's advertising efforts got recognition this past year as well, when Ken Banks, the chain's vp-marketing communications, was named to the Retail Advertising Hall of Fame. One project Banks has sponsored is a high-impact TV campaign for the Express Photo minilab service.



New Eckerd stores and remodels give open access to pharmacy. A service counter in front of pharmacy in older stores has been removed.

Eckerd at a glance

Name: Jack Eckerd Corp.
Headquarters: Largo, Fla.
Officers: Stewart Turley, chairman and president; Harry Lambert, president, Eckerd Drug.
Sales: $3.5 billion
Store count: 1,673
Store size: 8,640-10,000 square feet (7,800-9,100 selling)
Markets: 13 Southeast, Mid-Atlantic and South Central states.
Highlights: Eckerd bought 223 Revco stores as part of a vigorous schedule to consolidate markets and build share.

Goal: stress markets where share is at or near top.

Eckerd's cash position
(net cash from operations after interest)

Fiscal period	Cash from operations
38 weeks ended Jan. 31, 1987	$18.5 million
Year ended Jan. 30, 1988	$127.3 million
Year ended Jan. 28, 1989	$132.6 million
Year ended Feb. 2, 1990	$102.3 million
Year ended Feb. 2, 1991	$162.0 million*

*Estimate. FY ended Feb. 2, 1991
Source: Company reports.

Streamlined Revco struggles to emerge from bankruptcy

TWINSBURG, Ohio — Revco in the mid-1980s was an oversized, inefficient gas-guzzler of a retail machine, swerving out of control, its systems breaking down.

Its retail focus was hazy and distorted by ill-fated forays into schlock promotional merchandise and poorly conceived buying strategies. Its operations and support teams were overstretched by the chain's rapid expansion, vast geography and shifting market conditions. Its top management was distracted by a bruising proxy fight and by a slew of ancillary businesses brought on by diversification. Needless to say, Revco hit a brick wall at high speed following its debt-heavy leveraged buyout in late 1986.

In 1991, Revco is a different company. Nearly three years after its bankruptcy filing, Revco as a retail operation is far smaller, better-run, far more cost-efficient and in clear touch with its basic retail mission. Its geographic reach has been cut to 10 contiguous states. Its top managers and support staff are among the best in chain drug retailing. The stores are clean, many are remodeled, and their sales are steadily improving.

Putting aside lawyers' fees, accounting changes, write-offs and other factors, the stores are also profitable. Although hit hard by last year's economic downturn and intense competition for customers, they are showing steady gains in customer traffic and productivity.

Nevertheless, Revco remains locked in a costly bankruptcy, its every move subject to court approval. The company's beleaguered board of directors is still struggling to come to terms with its creditors, and is even at odds with itself. Until the board members who hold an equity stake in Revco can agree on a financial plan with the suppliers, bondholders and banks to whom the company owes $1.4 billion, its efforts to improve operations will be hampered by financial pressures and bankruptcy distractions. By some published estimates, legal fees have already cost the company $50 million, and interest costs on the unpaid debt are piling up.

Recently, those pressures increased. In early April, the holders of some of Revco's junk bonds threatened to seek a Chapter 7 liquidation of the company if Revco and its creditors failed to negotiate a workable plan of financial reorganization within 120 days. Revco's board says it will file its own plan of reorganization with the court and creditors very soon.

"Everyone involved with our case is frustrated," said chairman and ceo Boake Sells last month. "It's time for all parties to cooperate and get Revco out of Chapter 11."

Revco's three committees of creditors filed their own plan last fall, but the current stockholders on Revco's board rejected the plan because it left them with nothing. If and when all parties in the negotiations can agree on a payment plan, it is almost certain to be quickly approved by U.S. Bankruptcy Court in Akron, Ohio. At that point, Revco can at last emerge as an ongoing concern.

Freed from the costs and distractions of bankrupcty, the chain will likely be fairly well-poised to compete in its core markets. Revco shed 712 far-flung drug stores last year, ahead of schedule, and exited 17 states in the Midwest, West and Southwest in the process. It continued to build for a healthier future, maintaining an aggressive store renovation program based on its new prototype. Indeed, by the end of this month the chain will have remodeled 43 percent of its 1,126-unit store base.

Last year, Revco also completed the chainwide rollout of both POS scanning registers and Prescription Access Link (PAL), its new, on-line pharmacy computer system for Rx automation and on-line third-party claims adjudication.

Moreover, Revco has developed new marketing and image ad campaigns along the lines of its "A Friend For Life" theme, and has stepped up circular advertising to once a week. Its selection of products for ads has been adjusted to boost margins. The chain has also "taken a hard look at our product mix by size of stores, and there will be some adjustments made," Sells noted recently.

In short, Revco's headquarters and store people have made enormous efforts--and spent many millions in court-approved capital funding programs--to upgrade and position the stores to compete in the '90s. More than anything, what the company needs most now is to successfully wrap up its negotiations with its lenders, bondholders and suppliers, agree on a debt payment plan it can live with, and move out from under the cloud of bankruptcy.

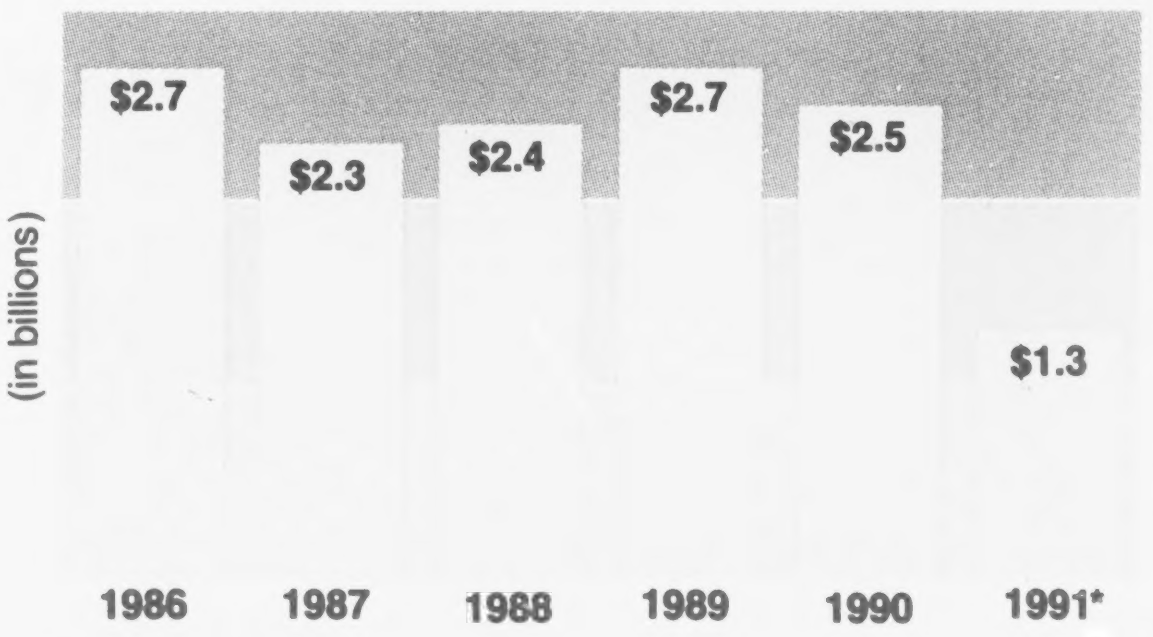
"We believe our drug store strategy and aggressive marketing will position Revco to take advantage of better business conditions," Sells noted in a letter to employees last month. "As you all know, leaving Chapter 11 must be the next important step in Revco's future."

Revco remains locked in a costly bankruptcy, its every move subject to court approval.

Revco D.S. at a glance

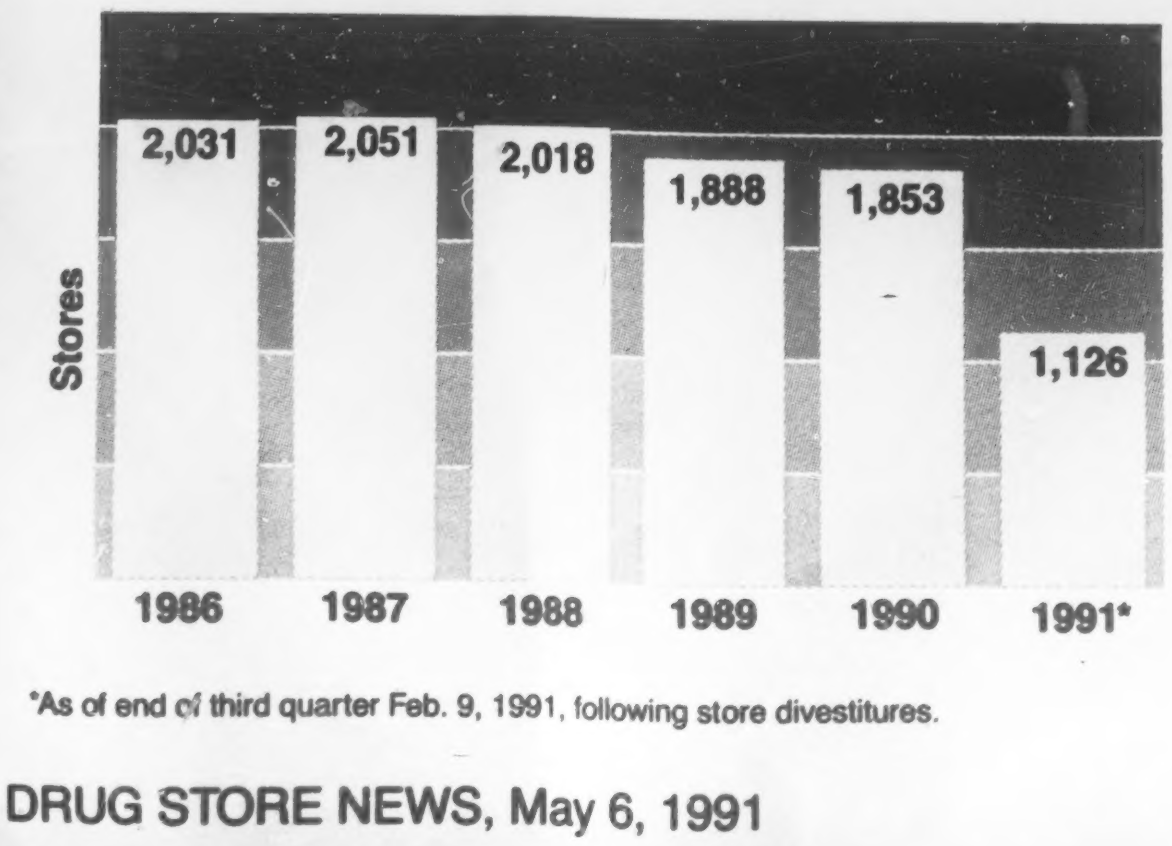
Name: Revco D.S.
Headquarters: Twinsburg, Ohio
Officers: Boake Sells, chairman and ceo; Jim Adamson, executive vp-marketing; D. Dwayne Hoven, executive vp-stores.
Sales: $2.5 billion
Store count: 1,126
Store size: 9,000 square feet (8,450 selling)
Markets: 10 contiguous North Central, Mid-Atlantic and Southern states.
Highlights: Divested 712 stores in 17 states in major downsizing from 27- to 10-state operating area; continued efforts to negotiate a successful financial reorganization plan with creditors and emerge from bankruptcy; nearing halfway point in store remodeling efforts; chainwide installation of PAL pharmacy computer network and POS scanning systems; improved operating performance.

Revco's sales trend

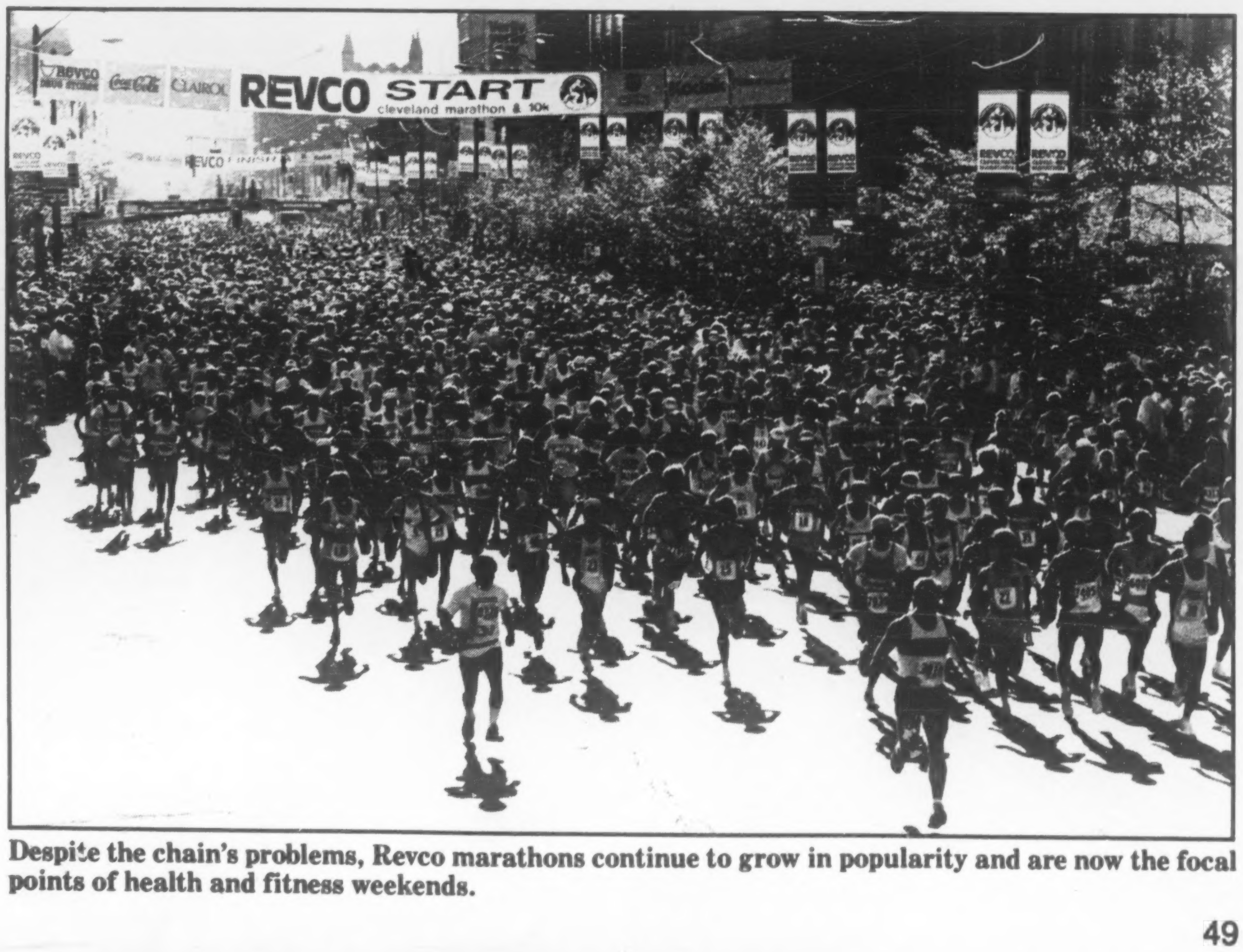


*First three quarters of fiscal 1991, following store divestitures.

Revco's downsizing



*As of end of third quarter Feb. 9, 1991, following store divestitures.



Despite the chain's problems, Revco marathons continue to grow in popularity and are now the focal points of health and fitness weekends.

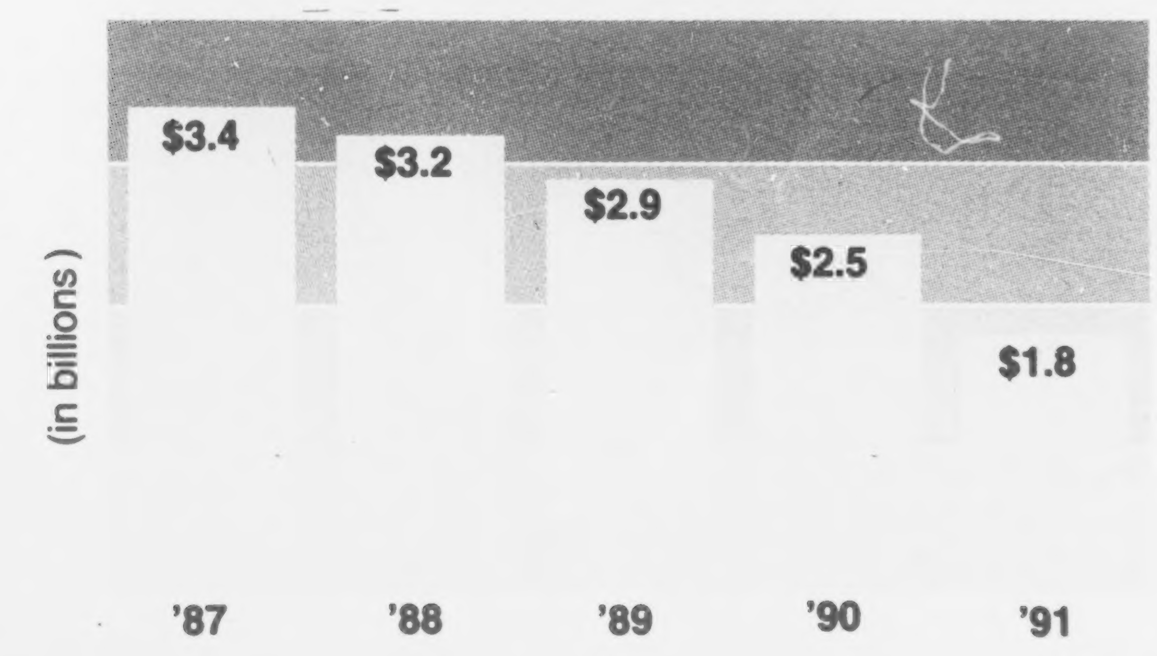
Rite Aid says FY '91 a 'good year'; sees bright future

At a recent meeting with analysts, Rite Aid chairman and ceo Alex Grass called fiscal 1991 a good year for Rite Aid. It was, in fact, an exceptional year for the chain, from a human as well as business standpoint.

During FY '91, Rite Aid and its president, Martin Grass, fought and won a bribery case against them, after a trial that lasted less than two weeks in July. In January, the defamation suit Rite Aid had brought against Melvin T. Wilczynski, the man whose accusations led to the trial, ended with Wilczynski writing a letter of apology for his actions and forfeiting the $33,249.93 Rite Aid owed him under a severance contract. He was also ordered to pay court costs.

At the end of the 15-month ordeal, Alex Grass maintained, as he had throughout, that the case had "no effect on our business and won't affect it now." Rite Aid's year-end results bear him out, as do the programs and projects the chain developed during the year.

Rite Aid sales



FY ended 3/2/91.
Source: Company reports.

Corporate revenues for FY 1991 reached $3.447 billion, up 8.7 percent from the previous year. Net income was $107.3 million, versus $102.1 million for 1990.

Drug store division sales, which represented 94.6 percent of total revenues, increased 8.3 percent, to $3.259 billion for the year. Net income for the year was $100.129 million, up 10.8 percent from $90.336 million in FY 1990, excluding last year's provision for closing all video rental departments.

Same-store sales increased 7.3 percent for FY 1991, including acquisition stores open a year or more. This strong gain matches the increase Rite Aid achieved in fiscal 1987, before it embarked on a series of large acquisitions over a three-year period, including 533 Gray Drug and SupeRx stores, the 39-store Begley chain and about 99 Peoples' Lane division stores in the Midwest.

> *Fiscal year 1991 was an exceptional [one], from a human as well as business standpoint.*

The gathering momentum during fiscal '91 was underlined in the fourth quarter, when same-store sales increased 7.8 percent. Rite Aid had come full circle, and the assimilation of more than 700 stores acquired since 1987 could be said to be complete.

Rite Aid operated 2,420 stores at year end March 2, a net gain of 68 units for the fiscal year. It remodeled 132 stores and reset 205 during fiscal '91. It operates about 12 percent of all drug stores in the 22 states it's in and holds a 25 percent or better market share in several metro areas, including Philadelphia, Baltimore and Charleston, W. Va.

Management sees its 6,700-square-foot prototype, with its offering of traditional drug store merchandise (no small appliances, electronics or sporting goods, for example), as resistant to the current recessionary economy.

Rite Aid sharpened its everyday low price position this past year by initiating one program and expanding another.

The Rite Buy program, introduced during the summer, offers temporary reductions on 300-400 regular inventory items at any given time, highlighted by in-store signage.

The program was first tested in the chain's Harrisburg and Florida markets, with ad support. The new front-end pricing promotion program passes along savings to customers from vendor allowances and manufacturer deals. The program is additional to Rite Aid's deep-discounted "Big Buy" program of on-deal merchandise displayed in its promotional aisles. To avoid customer confusion, both programs are now called "Rite Buy."

Also during the past 12 months, the chain more than doubled its food presentation and began offering 50-100 selected name-brand grocery products on promotion, highlighted by in-store signage.

Prescription drugs sales—$1.4 billion in FY 1991—represent 45 percent of Rite Aid's drug store sales, and third-party prescriptions accounted for 46.5 percent of prescription sales.

Rite Aid finished upgrading its pharmacy computers last year, and in July, it rolled out an advertising campaign chainwide to call attention to pharmacy's enhanced computer network, which it calls Compu*RITE*. The system enabled Rite Aid to adjudicate electronically more than 40 percent of third-party prescriptions this year, compared with 30 percent last fiscal year.

Toward its goal of achieving a paperless headquarters-store operation, it completed installation of data capture systems chainwide during FY '90. Six hundred stores have been on POS scanning (from Store Automated Systems Inc., or SASI) for five or six years, and Rite Aid recently decided to move forward in equipping the rest of its stores with the SASI system. It plans to install the second-generation system of vertically mounted scanners in 500-600 stores by February 1992.

The acquisitions it made during fiscal '91 were minor, compared with the Gray Drug and SupeRx, Begley and Peoples deals it carried out 1987-1989, but they were strategic. When Fantle's in Washington, D.C., filed for Chapter 11 last fall, Rite Aid bought the prescription files and drug inventories of all 65 stores, and a number of Fantle's pharmacists came aboard as well. Rite Aid subsequently acquired eight Fantle's store leases, strengthening its position in the D.C. market, where it already operated 75 stores. It also bought eight Taylor Drug stores in Kentucky last fall, bringing its store count there to 88.

On Jan. 31, Rite Aid bought Becker Discount Drug Co.'s 10 drug stores in the greater Cincinnati market, boosting its presence there to 27 units.

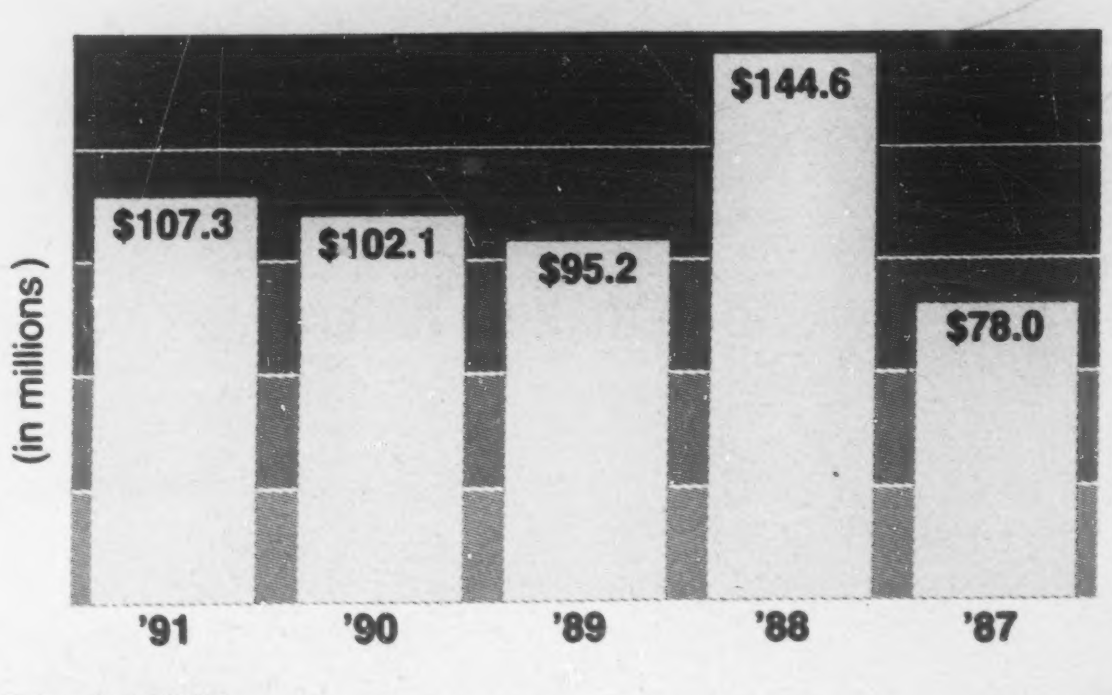
In FY 1992, Rite Aid plans to open 120 new stores, not including acquisitions, and to remodel 110 stores and reset 180. Its policy is to modernize all units on an eight-year cycle.

Rite Aid at a glance

Name: Rite Aid Corp.
Headquarters: Shiremanstown, Pa.
Officers: Alex Grass, chairman and ceo; Martin Grass, president and chief operating officer
Sales: $3.4 billion (drug segment, $3.3 billion)
Store count: 2,420
Store size: 6,700 square feet (5,800 selling)
Markets: 22 states
Highlights: Dismissal of bribery charges and favorable settlement of civil defamation suit; continued integration of more than 700 acquisition stores in 14 states since 1987; same-store sales gains of 7.3 percent for 1991, 7.8 percent for 4th quarter '91; improved store efficiencies through uniform pharmacy computer system and chainwide data collection system.

> *Management sees its 6,700-sq.-ft. prototype . . . as resistant to current recessionary economy.*

Rite Aid earnings



FY ended 3/2/91.
Source: Company reports.

Thrifty 'commits to the future': management, operations shift

LOS ANGELES — Thrifty Corporation, stung by a $64 million operating loss after taxes in fiscal '90, accelerated key management and operations shifts toward the end of the calendar year.

The new Thrifty Drug Store management team, headed by Eve Rich, former chairman and ceo of Contempo Casuals, is focused on improving the organization, merchandising systems and customer service.

The chainwide rollout of POS systems by the end of 1991 will enable Thrifty to aggressively attack inventory losses, which rose by 50 percent above the late-'80s level. Already, margins have increased about one percentage point in stores outfitted with the technology.

In addition, Thrifty Corp. has launched a wide-ranging consultant study on its business practices and goals to find a more successful marketing niche for its stores. Management Horizons will conduct the study and should release a report by mid-year, executive vp Chris Bement told *Drug Store News*.

Thrifty Drug Stores is also concentrating on other elements to make it more adaptable to market changes and responsive to customer demands. The company introduced a test concept, dubbed "Commitment to the Future" in 75 stores in 1990, and anticipates its expansion in 1991.

Parts of the concept: expanded and upgraded selections, and more personnel. Thrifty is also experimenting with "flex merchandising," which better enables to tailor mix to local market needs.

The Pacific Enterprises subsidiary ended fiscal '90 on Nov. 30 operating 1,058 drug, discount, convenience and sporting goods stores, after 41 store closures during the year. The 41 failed to meet profit goals, and up to 30 more unprofitable sites may be closed in 1991.

The core of its business: 554 Thrifty Drug, 124 Pay'n Save and 71 Thrifty Jr. stores, which generated $2.36 billion in sales, up from $2.28 billion the prior year. Other components: 43 Bi-Mart membership discount and 266 sporting goods stores.

Thrifty Corp.'s operating revenues rose slightly to $3.2 billion during the year from $3.1 billion in 1989. Same-store sales were up 1.5 percent, a lower rate of gain than the 5.2 percent in 1989.

Thrifty names management changes; 10 posted within corporation lately

Management changes headed the big news at Thrifty Corporation in 1990. Here's a summary:

- **Daniel Seigel** was named chief financial officer and assistant to the president in late summer. In December, he assumed the additional title of ceo of Thrifty Corporation.
- **Eve Rich** was named president of Thrifty Drug Stores in early December.
- **Philip Maslowe** was named executive vp and chief finacial officer.
- **Chris Bement** was promoted to executive vp-administration, human resources, governmental and public affairs.
- **Robert Glass** was named executive vp-operations and systems.
- **Richard Dortch** was promoted to president of Pay 'n Save Drug Stores.
- Other changes which include new or added responsibilities:

Robert LaFerriere, senior vp-buying, sales and merchandise display.

John Greer, senior vp-store operations.

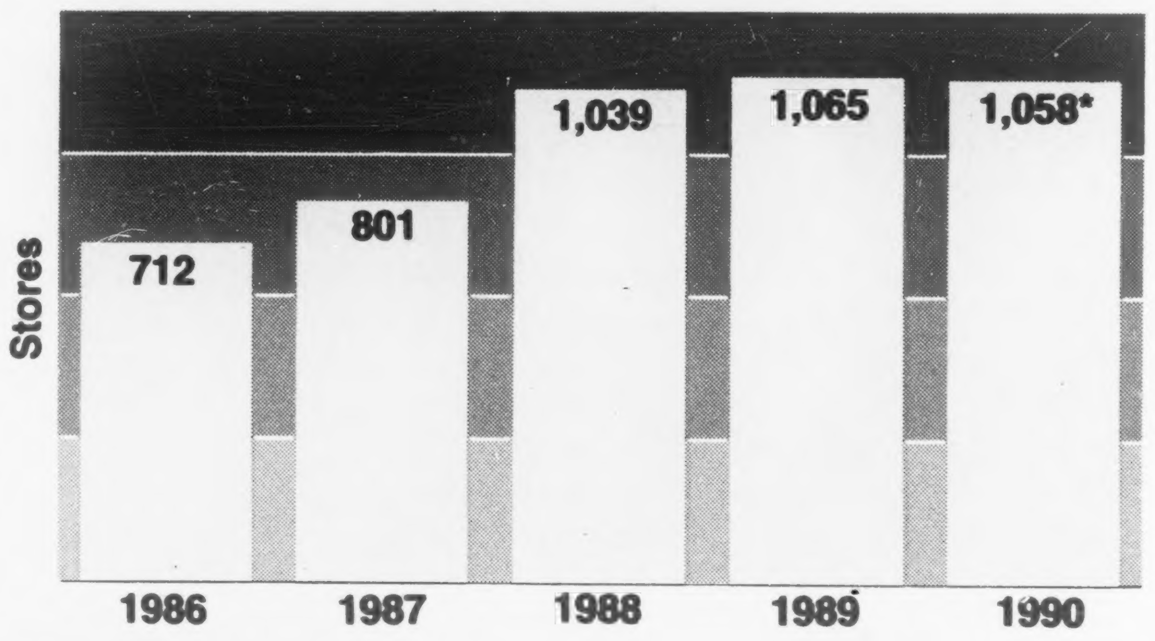
Robert Kertin, vp-loss prevention.

Daniel Ramirez, vp-pharmacy operations.

Thrifty at a glance

Name: Thrifty Corporation
Headquarters: Los Angeles
Parent: Pacific Enterprises
Officers: Leonard H. Straus, chairman; Daniel A. Seigel; president and ceo; Eve Rich, president, Thrifty Drug Stores.
Sales: $3.2 billion
Store count: 554 Thrifty Drug, 124 Pay'n Save, 71 Thrifty Jr., 43 Bi-Mart, 266 sporting goods stores.
Store size: Thrifty, 18,900 square feet (14,700 selling)
Markets: Alaska, Calif., Ariz., Hawaii, Idaho, Nev., Wash., Ore.
Highlights: Set up new Thrifty Drug Stores management team; continued POS rollout; placed "Commitment to the Future" concept in 75 stores.

Thrifty store count



FY ended 11/30/90.
*Includes $2.36 billion drug store sales (Thrifty, Thrifty Jr. and Pay 'n Save), up from $2.28 billion the prior fiscal year.
Source: Pacific Enterprises.

In quest to rebuild profits, Longs tinkers with its methods

WALNUT CREEK, Calif. — Longs Drug Stores faced toughening competition in its market strongholds in 1990 and early '91, as Pay Less Drug Stores, Walgreens and Sav-on fought hard to boost market share in California. Longs fought back, but margins suffered as the chain dropped prices to retain customers.

Result: Longs' sales were up a healthy 11 percent, but net earnings slipped 3 percent to $59.6 million. Higher benefit and salary costs also took a bite out of income.

Longs responded by redoubling its store automation efforts, which should eventually yield tangible results in a more efficient, cost-effective buying and distribution. Implicit in the chain's automation strategy is a subtle shift in some of the ways this traditionally decentralized, locally autonomous retailer will do business in the future.

In partnership with IBM, Longs is making a heavy investment in technology and a POS-driven information system. The aim of the $50 million, multi-year program is to create a flexible retail information and purchasing system—one that will allow central-office buyers and merchandisers to better anticipate and coordinate the needs of the chain's 261 drug stores, without sacrificing the ability of Longs' highly autonomous store managers to make many of their own decisions. It marks a shift in thinking for Longs, and will require care in its eventual implementation.

"This kind of change requires a little care, because if we were to diffuse or turn off the autonomy of our store people, the cost to us could be astounding," new president Steve Roath told *Drug Store News* recently.

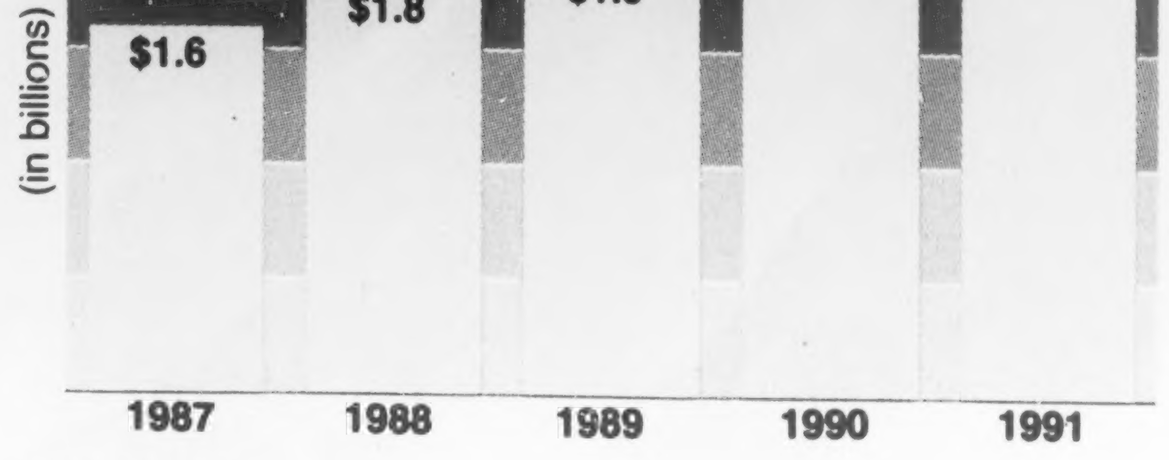
Longs has already undergone one major transition in recent months, with the election earlier this year of Bob Long as chairman and ceo and Roath as president and chief operating officer. Sadly, those appointments followed the Dec. 28 passing of company co-founder and board chairman Joseph Long, who pioneered the chain's unique brand of locally managed, high-volume drug store retailing.

To get earnings growth back on track this year, Longs will focus hard on operating efficiencies, conservative "fill-in" store growth, and the productivity of its sales floor—already one of the top producers per square foot in the business. But the chain will refuse to concede market share to any competitor without a major fight, company brass indicated. Pricing will be sharp.

Longs at a glance

Name: Longs Drug Stores
Headquarters: Walnut Creek, Calif.
Officers: Bob Long, chairman/ceo; Steven Roath, president/chief operating officer
Sales: $2.33 billion
Store count: 261
Store size: 23,000 square feet (15,410 selling)
Markets: California, Hawaii, Colorado, Nevada, Alaska, Arizona
Highlights: Election of Long and Roath as top officers following death of co-founder Joe Long; initial development efforts toward POS and automated purchasing/distribution system; continued store expansion; turnaround efforts under way.

Longs sales growth



FY ended 1/31/91.
Source: Company reports.

CVS launches into top five with Peoples Drug aquisition

CVS bought a rejuvenated Peoples Drug, propelling the Rhode Island-headquartered chain into the industry's top five rankings.

The acquisition merged Peoples' $1 billion in sales with CVS's $2 billion volume, and gave the Melville division some powerful market shares in Mid-Atlantic states, Pennsylvania and New York. Peoples held its greatest presence around Washington, D.C., where it operated 196 stores.

To its 811 stores in 14 states, CVS added 490 Peoples sites, which had been spruced up by parent Imasco. Peoples was "lean and mean" after a three-year rejuvenation that included the divestiture of 325 Southwest and Midwest stores and extensive retrofitting and repositioning of stores. It achieved a dramatic sales and profits turnaround, and was said to be eyed by several companies.

Imasco execs praised Peoples' performance, while citing its lack of "scale" needed to produced Imasco's desired 20-percent return on investment for the long term.

Stanley Goldstein, Melville's chairman and ceo, called the Peoples acquisition for $325 million cash "an ideal geographic and strategic fit."

Said Harvey Rosenthal, CVS president and ceo: "Peoples has excellent locations, strong shares in key markets, and a similar demographic customer profile."

CVS turned Peoples' Alexandria, Va. headquarters into a regional office, and stated it would keep Peoples' distribution centers as well as the long-established chain name.

At press time, CVS had retained all of the Peoples stores, and indeed had begun renovating 17 of them with a format suitable for the larger Peoples stores. The plan: refurbish 100 Peoples stores this year, a CVS spokesman said.

Some elements of the typical CVS design being integrated: carpeting and replacement of 72-inch-high gondolas with 60-inch fixtures. Pharmacy access is underscored with an emphasis on low counters and consultation areas.

Peoples was CVS's first purchase in 1990. Later in the year, CVS also picked up 23 drug stores from Rix Dunnington in Auburndale, Mass. The purchase left Rix with just its Jake's deep discount store and a handful of HBA stores.

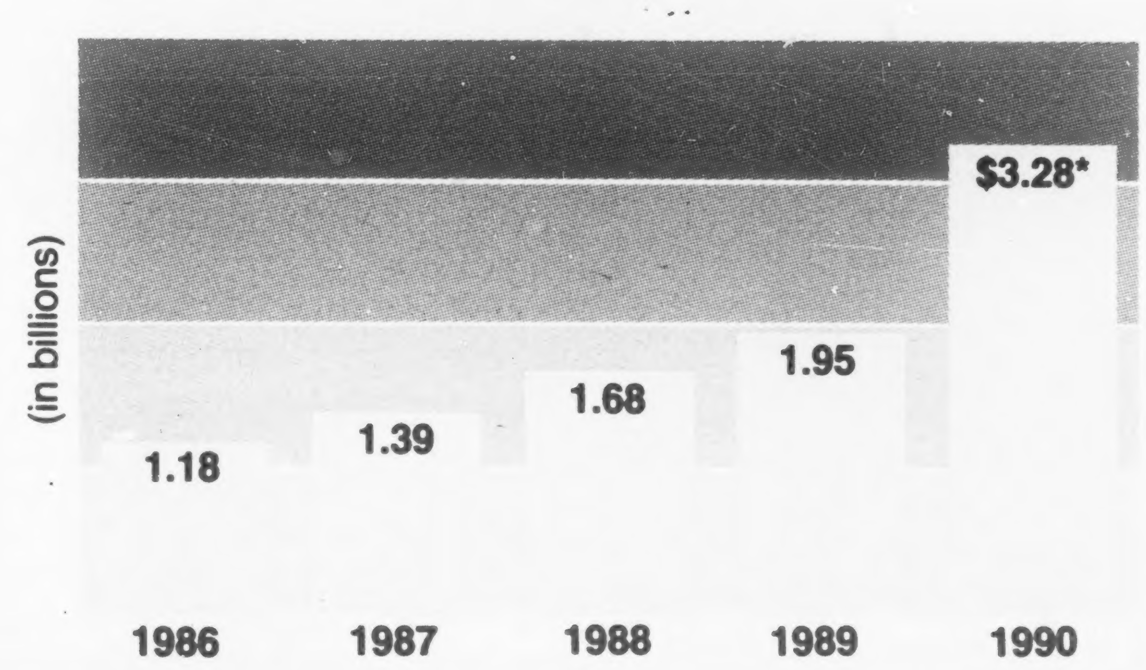
Rix planned to concentrate on its Brockton, Mass.-based nursing home prescription business. Chairman Rick Weinberg said that high rents in greater Boston and eastern Massachusetts, and competition for sites (especially from CVS) helped persuade him to redeploy energies.

By Dec. 31, 1990, the end of its fiscal year, CVS could claim total revenues, on a pro forma basis including Peoples and Rix, of $3.29 billion, compared with $1.9 billion in 1989. At that turning point, CVS had 1,351 drug and HBA stores (1,100 with pharmacies) compared with 789 stores (582 with pharmacies) the year before. The chain said it planned 35 store openings in 1991.

In 1990, it expanded what had been a small handful of stores capturing price/item movement with scanning to a group of 202 stores. It aimed to add 175 more in 1991.

CVS has its largest single-state concentration of stores in Massachusetts at 246, followed by Pennsylvania (233), New York (168), and Virginia (160).

CVS sales leap



*CVS acquired Peoples Drug 9/17/90 and Rix Dunnington 11/15/90. Pro forma results. Fiscal year ended Dec. 31.
Source: Company reports.

CVS at a glance

Name: Consumer Value Stores
Headquarters: Woonsocket, R.I.
Parent: Melville Corp.
Officers: Stanley Goldstein, chairman, ceo and president, Melville Corp.; Harvey Rosenthal, president and ceo, CVS.
Sales: $3.29 billion*
Store count: 1,351*
Store size: 8,800 square feet.
Markets: Northeast and Mid-Atlantic states; Ohio, Michigan and California.
Highlights: Acquired Peoples Drug from Imasco, picking up economic and geographic synergies and significant market shares in the Mid-Atlantic.

**CVS acquired Peoples Drug 9/17/90 and Rix Dunnington 11/15/90. Pro forma.*

Shoppers' 30% share of Canada market due to scripts, systemwide sales growth

Shoppers Drug Mart/Pharmaprix holds a 30 percent share of Canada's drug store market and operates stores in 10 provinces and two territories in Canada.

In 1990, the chain filled more than 26 million prescriptions and counted more than 250 million customer transactions—almost 10 purchases per Canadian. It opened a net of 12 stores during 1990, for a total of 645 stores, with about 75 open until midnight and six open 24 hours.

Systemwide sales for all associates were $2.8 billion (Canadian), up 9 percent over fiscal 1989, and revenues were $148.1 million. Operating earnings increased to $80.5 million for 1990, compared with $70.6 million in 1989. Comparable-store sales increased 7.5 percent, compared with 7.9 percent in 1989.

Prescription sales were up 13 percent and represented 25 percent of total sales in 1990.

Shoppers' extensive private label program, under the names Life Brand, Shoppers Drug Mart, Pharmaprix and Rialto, accounts for 6 percent of total sales.

Shoppers anticipates that the retail market, which started to soften in the fourth quarter of 1990, will continue to be soft "well into 1991." On that assumption, it plans to stimulate sales by way of innovative marketing and promotions and by managing gross margins and improving productivity.

In spite of steadily improving operating earnings, Peoples Drug was sold by Shoppers' parent company, Imasco, to Melville Corp. (CVS) last autumn. Imasco chairman and ceo Purdy Crawford wrote in Imasco's recently published annual report that "with time it became apparent that significant further investment would have been required to generate returns that meet Imasco's longer term objectives. With asset values restored, Peoples was sold at a very good price to a competitor."

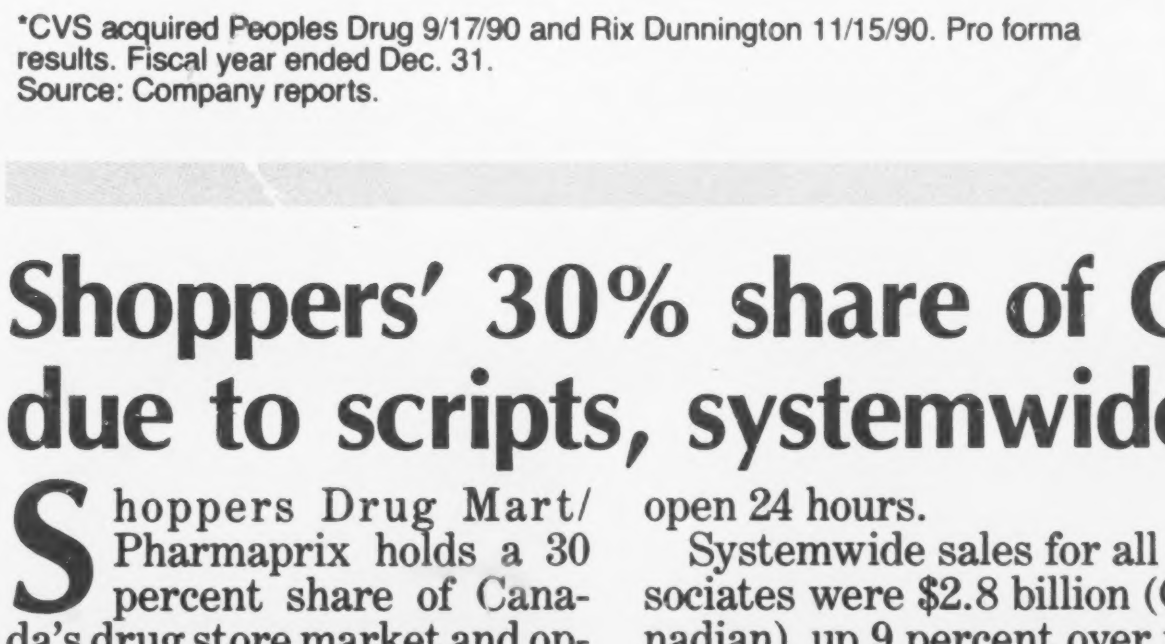
Shoppers is emphasizing technology: Most of its stores have computerized accounting systems, and all stores have pharmacy computers. In 1991, the chain plans to launch into a five-year program to install POS scanning chainwide.

At the beginning of 1991, Canada's new Goods and Services Tax went into effect. SDM expended much time and effort during 1990 training its 22,000 associates and setting up adequate accounting controls for the implementation of the GST.

A major debate has been going on in Canada over whether drug stores should be permitted to sell tobacco products. SDM's position is that "drug stores should not be required to act as a censor for any product which is legal and for which there is a continuing demand by customers."

David Bloom, Imasco Drug Retailing Group chairman, was the driving force behind the new Canadian Association of Chain Drug Stores (CACDS), modeled after NACDS, which formed early last year and held its first meeting in February 1990.

Shoppers Drug Mart systemwide sales



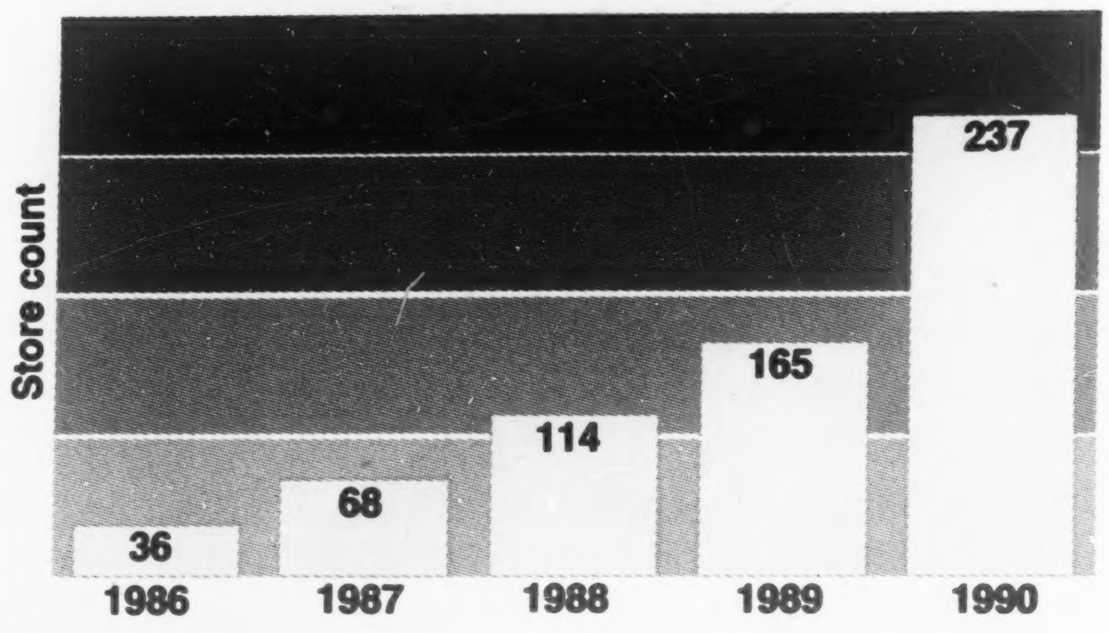
Source: Company reports.

Shoppers Drug Mart at a glance

Name: Shoppers Drug Mart/Pharmaprix
Headquarters: Toronto, Ontario
Officers: David Bloom, chairman and ceo, and Herb Binder, president and COO.
Sales (systemwide): $2.8 billion (Canadian dollars)
Store count: 645
Store size: 7,500 square feet (5,660 square feet selling).
Markets: 10 provinces, 2 territories in Canada
Highlights: Parent corporation Imasco Ltd. sold Peoples Drug Stores, its U.S. drug operation, to CVS; prepared its employees and set up accounting controls for implementation of Canada's Goods and Services Tax, which went into effect in January 1991; Bloom was the driving force behind formation of new Canadian Association of Chain Drug Stores.

Phar-Mor's ambitious strike force nears coast-to-coast penetration

Phar-Mor store counts soar



As of Dec. 31 each year.
Source: Company reports.

Some of Phar-Mor Inc.'s retail rivals may be scratching their heads and wondering if the laws of gravity no longer apply, but the chain is still rolling along at a blistering growth rate. The deep discounter is on the way to another 70 store openings this year, which should give it more than 300 stores in 32 states by year-end if its strategy holds.

The chain is on the verge of coast-to-coast market reach. Three more states were added to the list late last year, and this year Phar-Mor is stalking its first entry into five more states. Leases have been signed in all five of those states: California, New York, Delaware, Kansas and Arkansas—and the Empire State and Golden State will see their first grand openings this summer. Phar-Mor will also crack the Memphis market beginning this fall, and is adding units in Chicago, Florida and other markets.

This growth comes in the wake of Phar-Mor's entry into New Jersey, New Mexico and Oklahoma in late 1990.

Just weeks ago, the deep discounter also announced plans to lease a distribution facility in Aurora, Colo. to support its expanding Western store base.

New on Phar-Mor's hit list last year were key Sunbelt markets in the West including Phoenix, Albuquerque, San Antonio, Las Vegas and Oklahoma City.

All this growth propelled the company past the $2 billion sales mark in calendar 1990. Chain president Mickey Monus reported double-digit same-store sales growth last year, but Phar-Mor keeps its profitability a tightly held secret. Company sources say only that Phar-Mor's profitability and cash flow are enough to fuel much of the chain's expansion.

Revolving loans and outside investors, including the Giant Eagle supermarket chain in Pittsburgh, also provide capital for the dizzying growth pace.

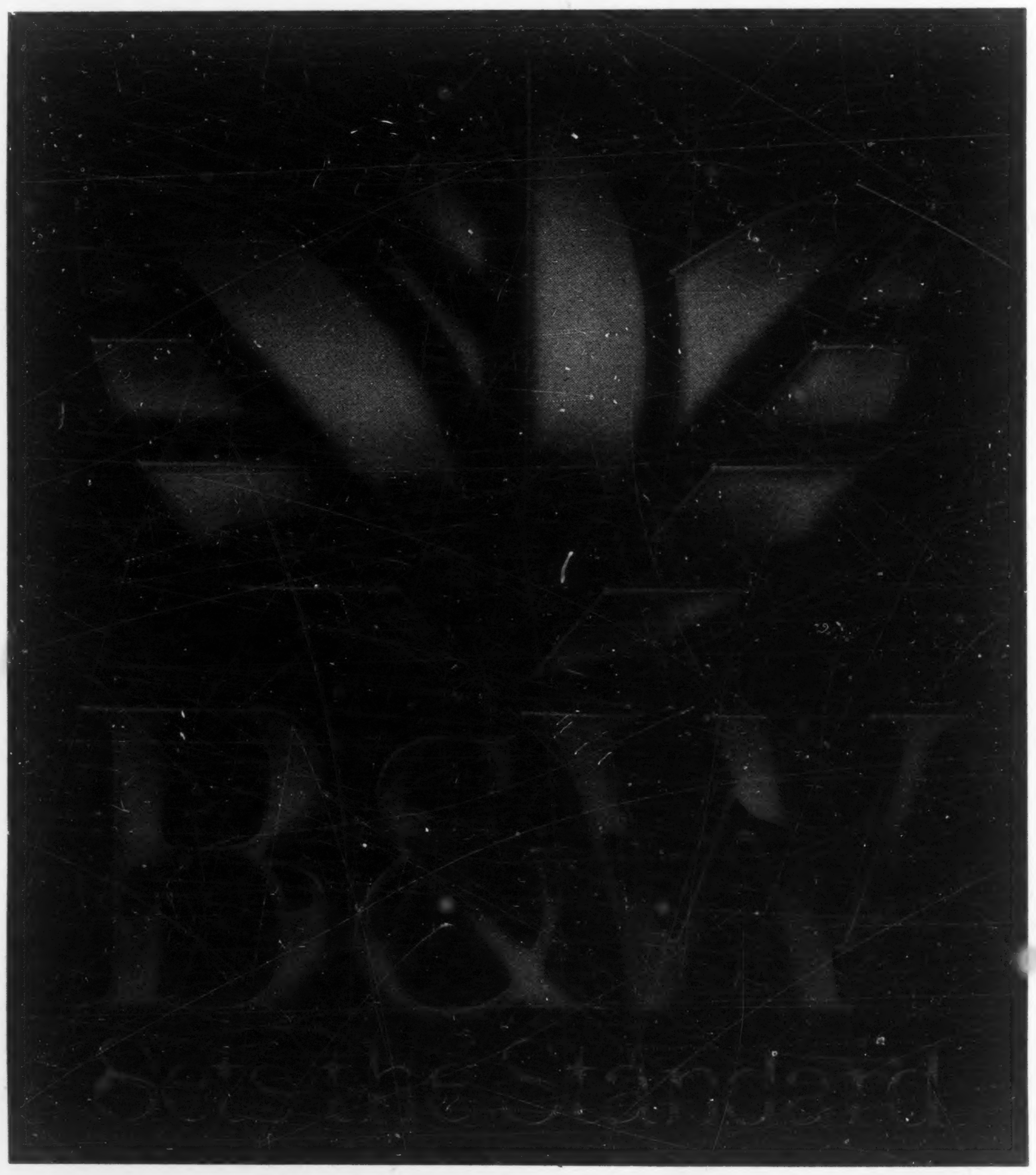
Meanwhile, Phar-Mor is exploiting other business opportunities in liquor sales and video/home entertainment. The chain has developed full-scale Phar-Mor Entertainment centers which provide video sales and rentals, music and audio electronics in three locations.

The centers are adjacent to Phar-Mor stores, but have separate entrances and checkouts.

Phar-Mor's effective store format, low-price strategy and ability to quickly capture market share earned it *Drug Store News's* 1990 REX Award as Large Drug Chain of the Year.

To help support its growth, the company continues to add management expertise. Among its hires last year was chain drug veteran Wilson Lester, who now holds the new post of senior vp-distribution.

Today and Tomorrow



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Pay Less gets on the fast track, heads toward major-power status

WILSONVILLE, Ore. — On the West Coast—the land of giant-sized drug stores, exploding population growth and astronomical real estate costs—momentum is shifting.

Although four major drug chains continue to dominate the region—Thrifty, Longs, Sav-on and Pay Less Drug Stores—it's Pay Less that has jumped to the top of the fray. Backed by the deep pockets of corporate parent Kmart and fueled by continuing gains in sales and profits the chain is gobbling up new store sites and bursting out of its old confines.

Pay Less added another 40 stores over the past year, many of them in Southern California and the San Francisco Bay area. What's more, the firm is pushing eastward with increasing velocity as it attains the status of a major regional retailer.

In its latest and most dramatic move, the firm agreed to buy 51 Osco drug stores in Denver, Salt Lake City and other markets last month. The deal will give the chain immediate strength in those two markets, boost its reach to 11 Western states, and provide a sound base for further expansion east of its West Coast roots. On top of that, Pay Less will open some 38 new stores and remodel 20 others this year, finishing this fiscal year with roughly 408 stores and roughly $2 billion in sales.

One reason for the chain's sunny outlook is its new "45" store prototype, now in place in roughly one of every four stores. The dramatic redesign—which greatly enhances the visibility and impact of core departments like cosmetics, photo, greeting cards and pharmacy—appears to be a smash. Sales growth in remodeled units is pronounced, store managers and headquarters executives report.

"Compared with public companies, we're doing better than the drug chains I've read about," said Tim McAlear, who succeeded Ron Schiff and president and ceo late last year.

Pay Less is also reaping rewards from other recent efforts to build a base for growth in the '90s. Among major programs which are coming to fruition is the installation of POS scanners, which should be chainwide by presstime. The chain has also upgraded its pharmacy systems, resulting in the near-total conversion of its third-party business to electronic billing. Significantly, pharmacy sales increased in fiscal 1990, to 16.7 percent of total sales, from 14.6 the previous year.

Pay Less at a glance

Name: Pay Less Drug Stores
Headquarters: Wilsonville, Ore.
Officers: Tim McAlear, president and ceo; Doug McKee, senior vp/cfo.
Sales: $1.64 billion
Store count: 321
Store size: 36,175 square feet (26,819 selling)
Markets: 11 Western states (with pending purchase of Osco stores)
Highlights: Planned purchase of 51 Osco units; promotion of Tim McAlear as top officer; rapid California expansion; new format rollout.

> *Pay Less is gobbling up new sites and bursting out of old confines.*

Hook-SupeRx takes straight and 'measured' growth path

CINCINNATI — In its fifth year since a management leveraged buyout, Hook-SupeRx Inc. has steered a steady course of measured store growth while generating adequate cash to meet its obligations.

Hook Drug led the expansion with 30 new sites, as HSI overall opened 53 stores and 18 for a net gain of 35. A year earlier, HSI opened 29 stores and posted a net gain of 12.

By the end of its fiscal year last Aug. 31, HSI operated 1,118 drug stores in 22 states: 339 Brooks, 398 Hook and 338 SupeRx, 30 Hook convalescent aid centers and 13 Drug World deep discount stores, the company reported to the Securities and Exchange Commission.

The executive suite saw some changes during the year.

At Hook, for instance, Tom Cunningham died just one month after being named to replace retired president Newell Hall. Russell Mesalam, also a long-term Hook veteran, was then called on. A vp at HSI, Mesalam was employed at Hook since 1961 and had been vp-operations since 1988. William Byrum replaced Mesalam in his former post.

At SupeRx, Thomas Stilgenbauer was named to replace Gary Hendren, who resigned. An HSI vp, Stilgenbauer had most recently served as vp and cfo at Brooks since June, 1988. He had joined SupeRx in 1970.

In addition, George Dozier, who headed Drug World, was named vp-marketing at SupeRx. Gary Dowler took over as Drug World chief.

And Rick Powis was named vp-professional services for HSI, moving from vp- operations at Brooks. William Welsh replaced Powis in his former post.

The year's sales rose 7.8 percent to $1.87 billion; same-store sales grew 6.7 percent. In the first quarter of fiscal '91, ended Nov. 30, sales were up 5.4 percent over the comparable period a year ago to $466.6 million.

Prescription sales accounted for 43 percent of total company volume in fiscal '90; third party was 40 percent of total Rx sales. A year earlier, Rx accounted for 41 percent of total sales. The company pointed to inflation, new customers such as nursing homes, and increased third-party business, as reasons for the higher ratio.

In May 1990, HSI sold its photo processing equipment for $4.5 million cash and a $500,000 non-interest-bearing note to Colorcraft and hired Qualex to do its processing. The shift was based on concerns about required new investment in equipment to stay in the business, the company reported. HSI used $3.8 million of the proceeds to pay down a loan.

Brooks unveiled a new store design in a 7,400-square-foot Fair Haven, Mass. 'store. In this format, lighting adds drama and draws attention to key departments.

On the supplier front, Bindley-Western remained HSI's main prescription supplier to its distribution centers, and Alco Health Services won a position as the direct-to-store vendor, replacing a group of other wholesalers.

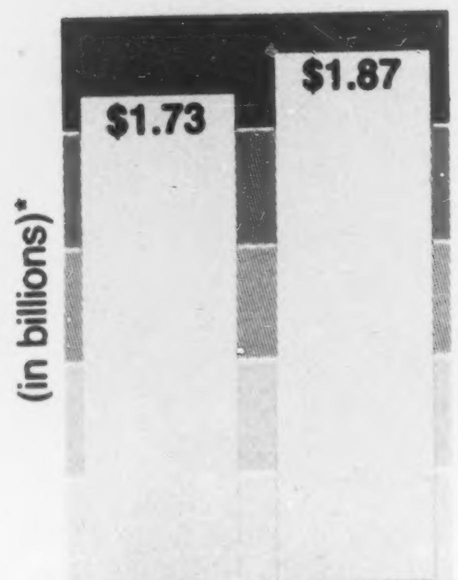
Overall, cash from operations more than amply covered capital expenditures of $19.5 million in fiscal 1990. The company's long-term debt stood at year end at $438.5 million. Assets were valued at $678.9 million.

For the year, HSI posted net cash from operations of $39.7 million, up from $36.0 million in 1989. It had a net loss of $8.4 million after $37.8 million of non-cash charges, primarily from depreciation and amortization. Net loss in 1989 was $8.5 million.

Hook-SupeRx at a glance

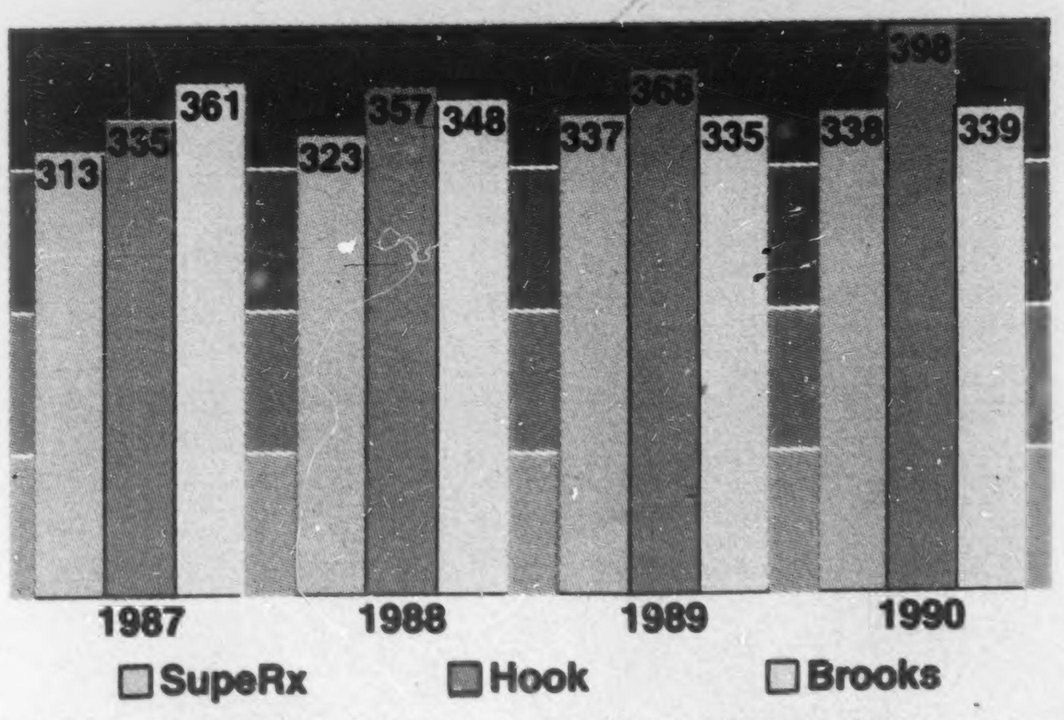
Name: Hook-SupeRx, Inc.
Headquarters: Cincinnati
Officers: Philip Beekman, chairman; Thomas Stilgenbauer, president, SupeRx division; Russell Mesalam, president, Hook division; Gayl Doster, president, Brooks division.
Sales: $1.87 billion, fiscal year ended Aug 31, 1990.
Store count: 339 Brooks, 398 Hook, 338 SupeRx, 13 Drug World deep discount stores, 30 convalescent aid centers.
Markets: 22 states in the Midwest, South, and Northeast.
Highlights: New store growth stepped up to 53, including 30 new Hook sites; companywide net gain of 35 stores. New presidents named at SupeRx and Hook.

HSI sales grow



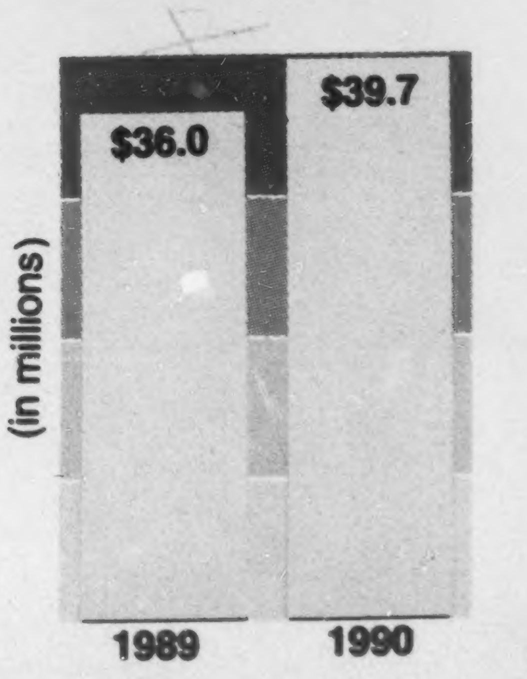
*FY ended Aug. 31, 1990.
Source: Company reports.

Hook store growth outpaces other HSI divisions in 1990



*HSI also has 30 convalescent aid centers and 13 deep discount stores.
Source: Company reports.

HSI cash flow
Net cash from operations



*FY ended Aug. 31.
Source: Company reports.

Fay's taking major step forward with pending Carls purchase

LIVERPOOL N.Y. — Fay's Inc. is prepared to raise its roster of drug stores by 25 percent with the pending purchase of neighboring Carls Drugs.

When the purchase is made final, Fay's will take another major step towards its five-year growth goal of 280 drug stores and $1 billion sales by 1994. Fay's also plans to add another 21 drug stores in 1991.

Henry Panasci, Jr., Fay's chairman and ceo, said Carls and its estimated $100 million annual volume will be completely assimilated. Since Fay's is already in most of Carls' markets, clustering and efficiencies should be positive byproducts of the deal.

Carls was founded in 1939 by Carl Panasci, uncle to Henry Panasci.

Record sales

In its fiscal year ended Jan. 26, 1991, Fay's produced record sales and earnings. Sales jumped 17.2 percent to $672.6 million, and net earnings increased to $12.3 million before an extraordinary charge, compared with $10.4 million a year earlier. After the charge, that came from the redemption and open market purchases of $27 million face value of the company's subordinated notes, earnings were $11.1 million.

Pre-tax earnings were $20.6 million, a 29.6 percent gain over the prior year.

Panasci said that the chain continued to improve in gross margins and expense ratios. "The current economic situation has not dampened our expectations. We feel confident that our momentum in sales will continue and further improvement in expense ratios is possible," said Panasci.

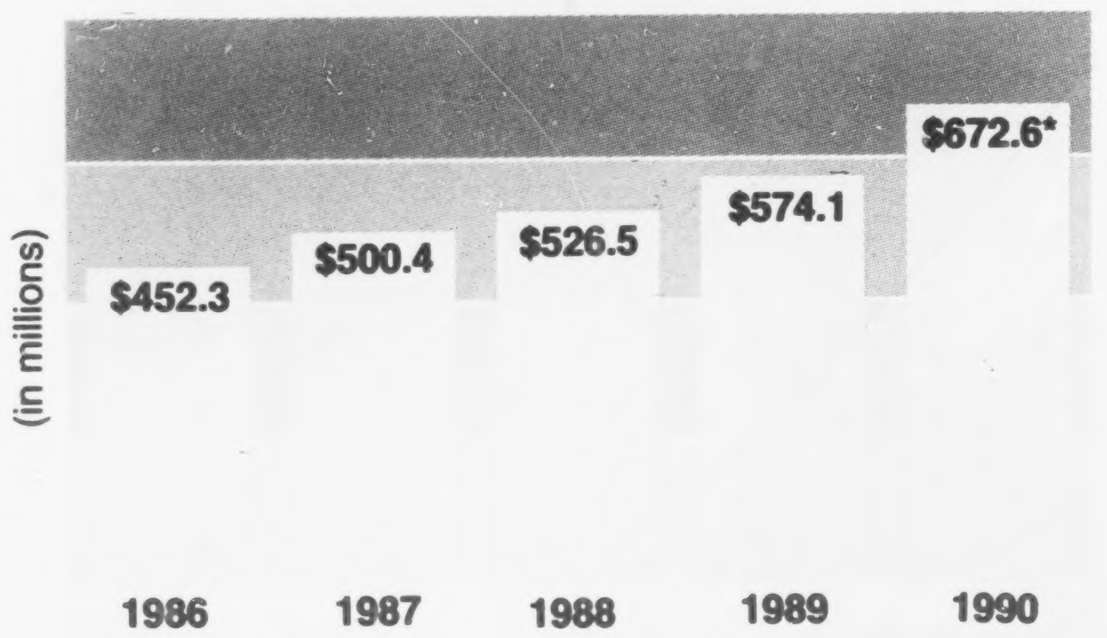
In November, Larry Rose resigned as president after three years. Rose helped refocus the chain's marketing for the 1990s, naming Fay's first vp-marketing, Jim Wuest, adjusting prices and fine-tuning merchandise assortment.

Dan O'Leary—the former Touche Ross accountant who served as executive vp and financial overseer—was named president and chief operations officer, replacing Rose.

Fay's is building its three retail divisions, including the Paper Cutter office supply stores and Wheels auto parts. Paper Cutter grew by nine stores in the fiscal year, ending with 26 and plans for nine more this year. Wheels grew by two stores to 26, with another three on the drawing board.

To reach 197 drug stores at fiscal year-end, Fay's added 23 locations, and has since set plans for another 21 this year (exclusive of Carls).

Fay's sales climb



*FY ended Jan. 26, 1991. Results include drug stores, Wheels and Paper Cutter units.
Source: Company reports.

Fay's at a glance

Name: Fay's, Inc.
Headquarters: Liverpool, N.Y.
Officers: Henry Panasci, Jr., chairman/ceo; Daniel O'Leary, president/chief operating officer.
Sales: $672.6 million.
Store count: 197 drug stores (not including 48-store Carls Drugs, for which Fay's has signed a definitive purchase contract, 26 Wheels auto parts stores, and 26 Paper Cutter stores.
Store size: 14,500 square feet
Markets: New York, Pennsylvania.
Highlights: Agreement to buy Carls Drug O'Leary is named president and chief operating officer.

A Drug Emporium first: more corporate stores than franchises

COLUMBUS, Ohio — It was a year of milestones for Drug Emporium, which opened its 200th store and further surpassed the $1 billion sales benchmark.

The most dramatic change: corporate-controlled stores now outnumber franchise units for the first time.

Clearly, the deep discounter's plan to emphasize growth through corporate-owned stores is well under way. By fiscal year-end, Feb. 28, 1991, there were 114 corporate stores, up from 79 a year earlier, and 98 franchise stores, down from 116 the year before. Estimated corporate sales for the year: $1.2 billion, with $610 million from company-run stores and $600 million from franchises.

A public company since 1988, Drug Emporium said that virtually all stores from now on will be corporate, as it builds presence in existing markets, and selectively enters new markets. In 1991, Boston will get a share of the chain's 30 to 40 new corporate stores.

Growth markets will include Washington, D.C., southern California and Philadelphia. The company opened five stores last year in the Washington-Baltimore market, with plans for ten more this year.

It seems well on the way to having 225 corporate stores by FY-end 1994, a goal stated last year.

Drug Emporium also plans to develop markets where it recently bought out franchisees and continued to operate stores: St. Louis, four stores; Minneapolis, three; Milwaukee, five; plus Indianapolis, Augusta, Ga. and Charleston and Columbia, S.C.

Just last month, Drug Emporium said it signed an agreement to buy the remaining 45 percent of the nine-store Cincinnati-Dayton franchise and gain full ownership.

Opened store in N.Y.

The company was also scouting Long Island sites for corporate stores, after breaking into the New York market with a franchise store opened in Queens in 1989.

Franchise buyouts have been part of the company's long-term strategy of enlisting franchise partners to develop market share and name recognition. In virtually all cases, the former owners are retained to manage the stores after the corporate buyout.

Retail analysts were predicting flat earnings growth for the just completed fiscal year with dampened profits from new stores which typically don't make money the first year, as well as from the costs incurred in buying the franchises. Moreover, franchises in Charleston, S.C., and Augusta, Ga. were losing money, said Dan Wewer, retail analyst, Robinson-Humphrey Co.

Analysts estimate Drug Emporium's earnings for the year ended Feb. 1991 will be 60 cents to 63 cents a share compared with last year's 63 cents, with earnings this year climbing to 65 cents to 70 cents, according to Earl Brown, Investor Relations Consultants.

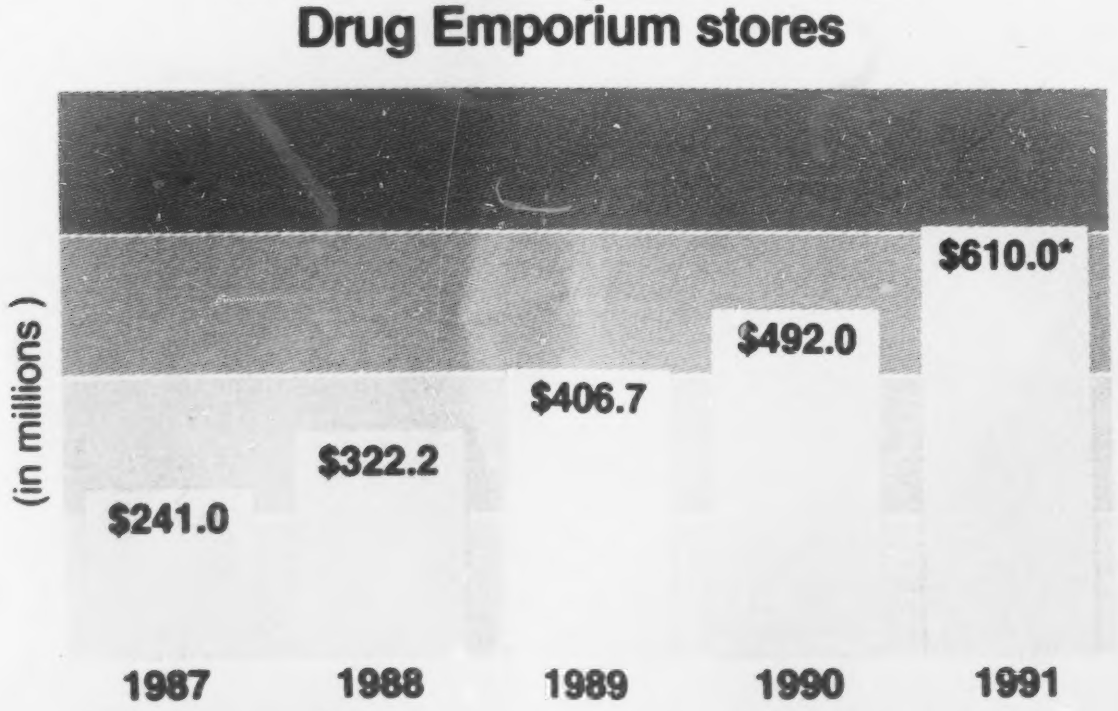
Wewer forecasts 61 cents this year. But feels that by 1993 earnings will be growing at 25 percent to 30 percent annually.

Net income for the fiscal year ended Feb. 28, 1990 (the last complete fiscal year reported at press time) was $8.2 million, versus $7.9 million the year before, as the chain employed a stricter pricing strategy that continues this year. It lowered prices on the most competitive items to insure an everyday low price approach, while hoping to make up margins on less competitive items. The two-time-a-year coupon book was discontinued. The 1991 gross margin was 20 percent to 21 percent, virtually the same as the year earlier, said Brown.

The six-store Eastern Virginia franchise in Norfolk opened a Med Emporium home health center, with plans for several more of the full-line health care stores.

Bill Brock, a former merchandiser with SupeRx of HSI, was named director of general merchandise, responsible for all categories except HBA.

Sales from corporate-owned Drug Emporium stores



*Estimate for FY ended 2/28/91. Combined volume of corporate-owned and franchise stores is $1.2 billion.
Source: Company reports.

Drug Emporium at a glance

Name: Drug Emporium
Headquarters: Columbus, Ohio
Officers: Philip Wilber, chairman; Gary Wilber, ceo; Robert Lyons, president and chief operations officer.
Sales: $1.21 billion estimated for FY-end 2/28/91.
Store count: 114 corporate, 98 franchise.
Store size: 25,000 square feet
Markets: 30 states.
Highlights: Corporate stores outnumbered franchise stores and had more sales for the first time, as Drug Emporium continued to buy franchises and used corporate-controlled stores to spearhead growth.

Thrift's prototype now a reality; to scan chainwide

PITTSBURGH — Thrift has committed to its store prototype for the '90s, as it handily posted 10 percent sales growth in the fiscal year ended Feb. 1.

The innovative store format slants low-profile gondolas off a ten-foot-wide center aisle that runs straight to pharmacy in the rear. Some or all of the new design appeared in 16 new sites this past year and will show up in another 25 in '91.

Remodels will also be given all or most of the design; 30 are slated for '91, down from 37 last year.

Thrift completed an upgrade of its pharmacy system in September. It added software functions and completed the replacement of old Digital Equipment Corp. mainframes with IBM machines.

New functions include a physician file, which enables pharmacists to verify doctors' DEA numbers when filling controlled-drug prescriptions. A generic drug file alerts pharmacists to availability of approved generic equivalents.

Thrift's system, which was internally designed and developed, puts pharmacists online with a central computer data base for filling prescriptions. It includes information on patient profiles, drug allergy and health condition interactions, and data for filling third party scripts.

Last year, Thrift began filling a large percent of third party scripts electronically, using Envoy for verification and adjudication. It removed from stores PCS's Recap boxes.

Reaching $1.2 billion in sales, the 487-store Thrift chain also pumped up net income by 4.5 percent.

Thrift came close to completing a rollout of advanced POS terminals with scanning, ending the year with 476 stores equipped, up from 331 last year. All stores will be equipped for capturing price/item movement this year.

Thift had 245 drug stores in Pennsylvania. The next most-stored markets are New Jersey (70), Georgia (64), Kansas City area (24), Delaware (15), and Ohio and West Virginia (10 each).

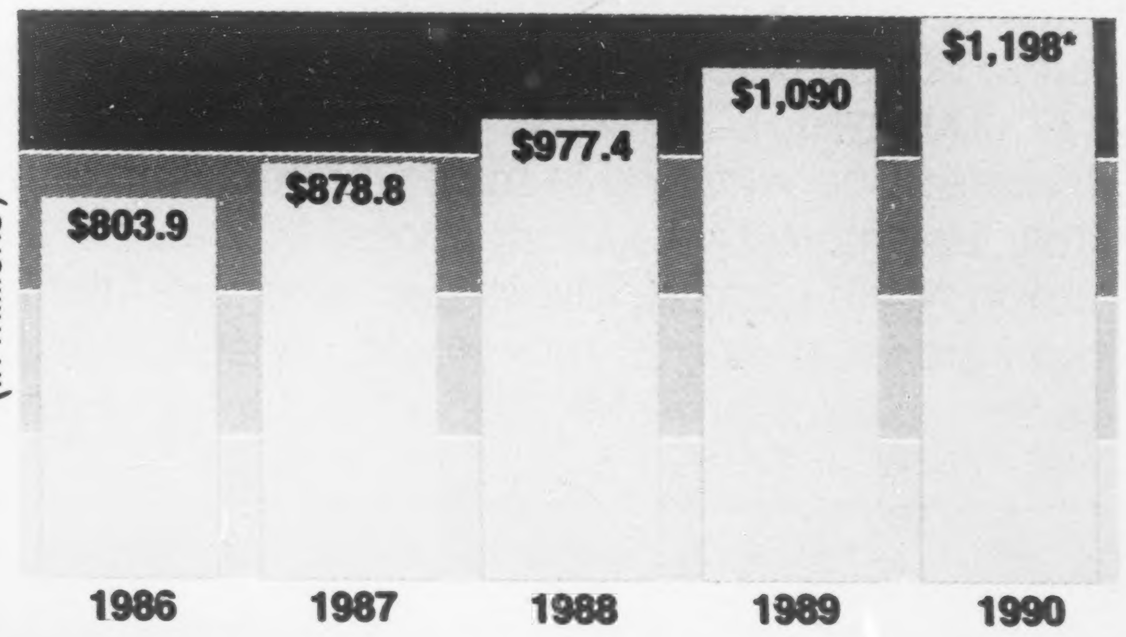
Prescriptions

Thrift has been especially resourceful in finding sites around Greater Philly, such as this former movie theater.

Thrift at a glance

Name: Thrift Drug
Headquarters: Pittsburgh **Owner:** JC Penney Co.
Officers: Robert Hannan, president; Tony Civello, executive vp-operations.
Sales: $1.20 billion **Stores:** 487 **Markets:** Pennsylvania, 18 other Mid-Atlantic, Southern and Midwestern states.
Highlights: Thrift commits to its new store prototype for all new stores and remodels; double-digit sales gains of the 1980s continued.

Thrift sales climb



*Fiscal year ended Jan. 31, 1991
Source: Company reports.

Perry weathers another downdraft on way to recovery

PONTIAC, Mich. — Chastened by its temporary stumble back into red-ink territory in fiscal 1990, Perry Drug Stores took itself to the woodshed in recent months. Its efforts to cut costs, impose operating and expense disciplines and focus on the core drug store business appear to be paying off: the company was back in the black in the first quarter.

The chain reported a loss of $6.2 million in the fiscal year ended Oct. 31, 1990, surprising and dismaying retail analysts who responded by downgrading the company's ratings on Wall Street.

But the slide—which interrupted a sustained earnings rally—appeared in retrospect to be more a temporary blip than a long-term condition. Perry came back with earnings of $1.4 million in the first quarter of the new year.

Perry chairman Jack Robinson called fiscal '90 results "clearly disappointing and short of earlier expectations." But he attributed the downturn to factors that were easy enough to identify, and said the chain was already well on the way to correcting the problems.

Among them: what Perry president and chief operating officer David Schwartz called "dismal" sales of high-margin general merchandise last fall as the economy soured; a resulting reduction in gross margins and a higher expense ratio; a change in accounting methods; and costs related to the acquisition and remodeling of 35 former Revco stores in Michigan.

Robinson and other Perry execs insist the chain is now on the right track. They cite several factors which bode well for the company's future, including continued stringent cost controls and the decision to focus solely on the drug store business, after a decade of diversification into auto parts, health care and other sideline businesses. The focus now, said Robinson, is profits.

Along those lines, the company has agreed to sell the balance of its $25 million Health Care Division to a management-led investor group. It has cut its corporate/administrative staff by 10 percent to save $5 million a year, and sold off its A.L. Price deep-discount division to former Revco and F&M president Bill Edwards.

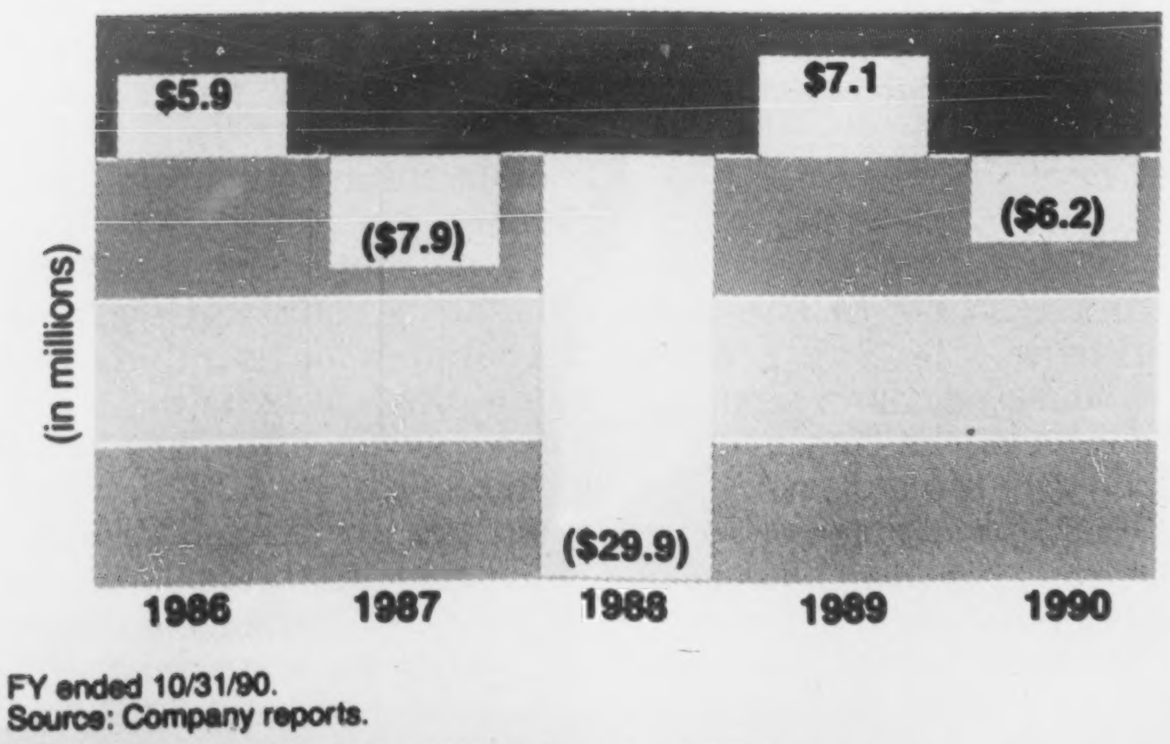
Perry also has high hopes for the 35 former Revco units it purchased from Reliable Drug Stores, despite some union troubles last year with former employees not included in the transfer of ownership.

The chain continues to invest in major store renovations, wih 38 more units upgraded to the "Store of the '90s" format last year and another 40 slated for conversion this year. Perry has also revamped its ad strategy and its private label line, completed installation of new "PerryLink" pharmacy computer systems in Michigan, and boosted its strength in 24-hour stores to 42 units.

Perry at a glance

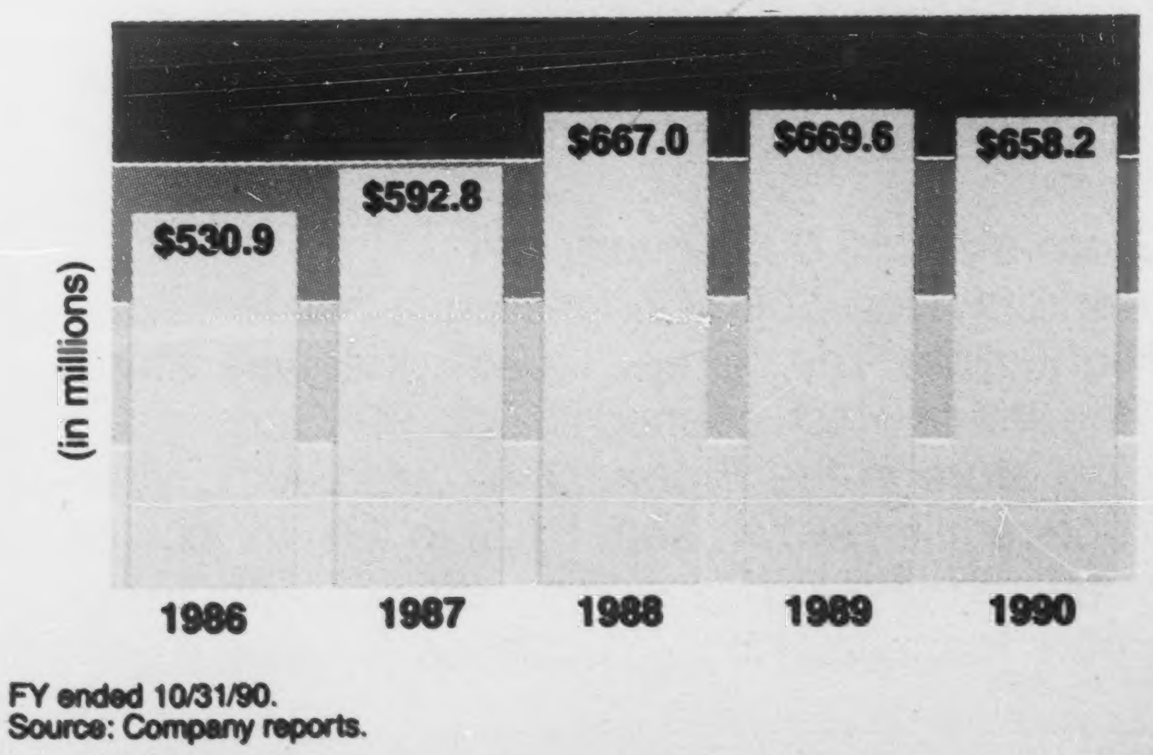
Name: Perry Drug Stores
Headquarters: Pontiac, Mich.
Officers: Jack Robinson, chairman; David Schwartz, president
Sales: $658.2 million **Store count:** 228
Store size: 8,950 square feet
Markets: Michigan, Chicagoland
Highlights: Sale of A.L. Price, outlying stores and Health Care Division; purchase of 35 Revco units; store renovations; staff cutbacks; installation of PerryLink; new ad strategy.

Perry earnings (loss)



FY ended 10/31/90.
Source: Company reports.

Perry sales



FY ended 10/31/90.
Source: Company reports.

F&M nears 100-unit mark with controlled expansion

WARREN, Mich. — Since Frank Newman took the helm at F&M Distributors in the mid-1980s, the nation's third-largest off-price chain has been on a fast track in sales, profit and store growth. Last year was no exception: the chain added another 21 units to its seven-state operating region, broke $600 million in revenues and achieved what Newman said were record profits.

That extends an unbroken string of profits for F&M—an important factor that has certainly fueled the chain's ability to extend its reach into some of the nation's biggest markets.

With its latest opening this month in suburban Minneapolis, F&M is closing in fast on the 100-store mark.

Another spur to F&M's successful growth has been Newman's ability to institute the systems and controls needed to allow for expansion. Spadework for F&M's rapid growth in the late 1980s and early '90s was done in 1986 and '87, when the company pulled in the talent, expertise and resources to become a far larger, more sophisticated machine capable of multistate operations.

Refocus, redefine

At the same time, Newman and other managers put the stores into sharper focus and defined F&M's retail mission as an everyday-low-price specialist in the deal-purchase, sale and presentation of HBA.

Although the chain continues to finetune its store format—making it more customer-friendly and gradually more upscale, in tune with the middle- and upper-middle-class demographics of its main consumer base—that retail mission hasn't changed. The company remains focused on a huge selection of name-brand HBA at deep-discount prices as its main drawing card.

The strategy seems to work well in all of F&M's major markets, including those in which it is still a relative newcomer.

The chain has been in metro-Minneapolis, for instance, for little more than a year, but already it has seven units up and running there. An eighth is set to open this fall, and Newman is planning as many as 12 to 15 in the Twin Cities within the next few years.

More stores bought

F&M also continues to snap up sites in Washington, D.C./Baltimore, which it entered via an acquisition three years ago. Total store count in those two cities will jump from 18 to 25 this year.

Also on tap: more stores for Chicago, F&M's biggest market with 33 units by year-end; and Detroit, where two units will boost store count to 25 this year despite the fact that it is F&M's birthplace and oldest market.

Meanwhile, F&M is gearing up for its entry into another major metropolitan area, Newman told *Drug Store News* earlier this year. That market will be disclosed soon, he said.

F&M at a glance

Name: F&M Distributors **Headquarters:** Warren, Mich.
Officers: Frank Newman, president/ceo; Michael Micallef, vp-store operations.
Sales: $660 million estimated **Store count:** 96 **Store size:** 24,000 sq. ft. (17,000 selling).
Markets: Concentrated in major metropolitan areas—including Chicago, Detroit, Baltimore/D.C., Minneapolis, Milwaukee, Indianapolis and Toledo—in seven North-Central, Midwestern and Mid-Atlantic states.
Highlights: Opened 21 new stores; consolidated and expanded in Minneapolis (a new market for F&M); "record profits" on estimated $660 million volume.

With net income up 99 percent, Genovese tests new ideas

MELVILLE, N.Y. — The New York metropolitan area might not seem the best place to grow things, but Genovese Drug Stores appears to have a green thumb.

After a year of rapid expansion, Genovese cut back on new stores during fiscal 1991 and dug in with belt-tightening measures that reaped "bumper" year-end results: Net income for fiscal 1991 shot up 99 percent, to $5.5 million, and sales grew to $432 million, a 6.6 percent increase over the previous year. Moreover, fourth-quarter net income set a company record, increasing 309 percent to $2.7 million, from $656,000 in fourth-quarter 1990. Sales for the quarter were $113.1 million, up 2.4 percent.

Although Genovese opened only two units during the year, both stores are significant. One, opened just before Thanksgiving, marks the chain's entry into the Bronx. The other, which debuted in October in Bay Shore on Long Island, is the first of Genovese's "greenhouse" stores, so called because the chain is growing and testing new ideas in it. (At press time, Genovese was about to unveil another greenhouse store, a renovated unit in New Hyde Park on Long Island.)

Genovese, which had equipped about seven stores with SASI's POS scanning system, tested IBM's 4680 POS scanning system in the Bay Shore store. Based on its performance, the chain has decided to roll out the IBM system in new stores and top-volume existing stores.

Vice president of marketing Don Gross, noting that the Bay Shore store has a 95 percent-98 percent scan rate, said the SASI equipment would be transferred to Genovese's deep-discount Great American stores.

Among ideas being "grown" in the Bay Shore greenhouse store: Genovese's first "senior manager" position, aimed at giving the store manager more autonomy over in-store decisions, such as merchandising; a price-check kiosk, where customers can scan bar-coded items that are not price-marked; and some new decor features, such as mirrors that act as energy-efficient reflectors around fluorescent ceiling lighting. The store also is equipped with the Synercom pharmacy computer system that Genovese is rolling out as its second-generation pharmacy system.

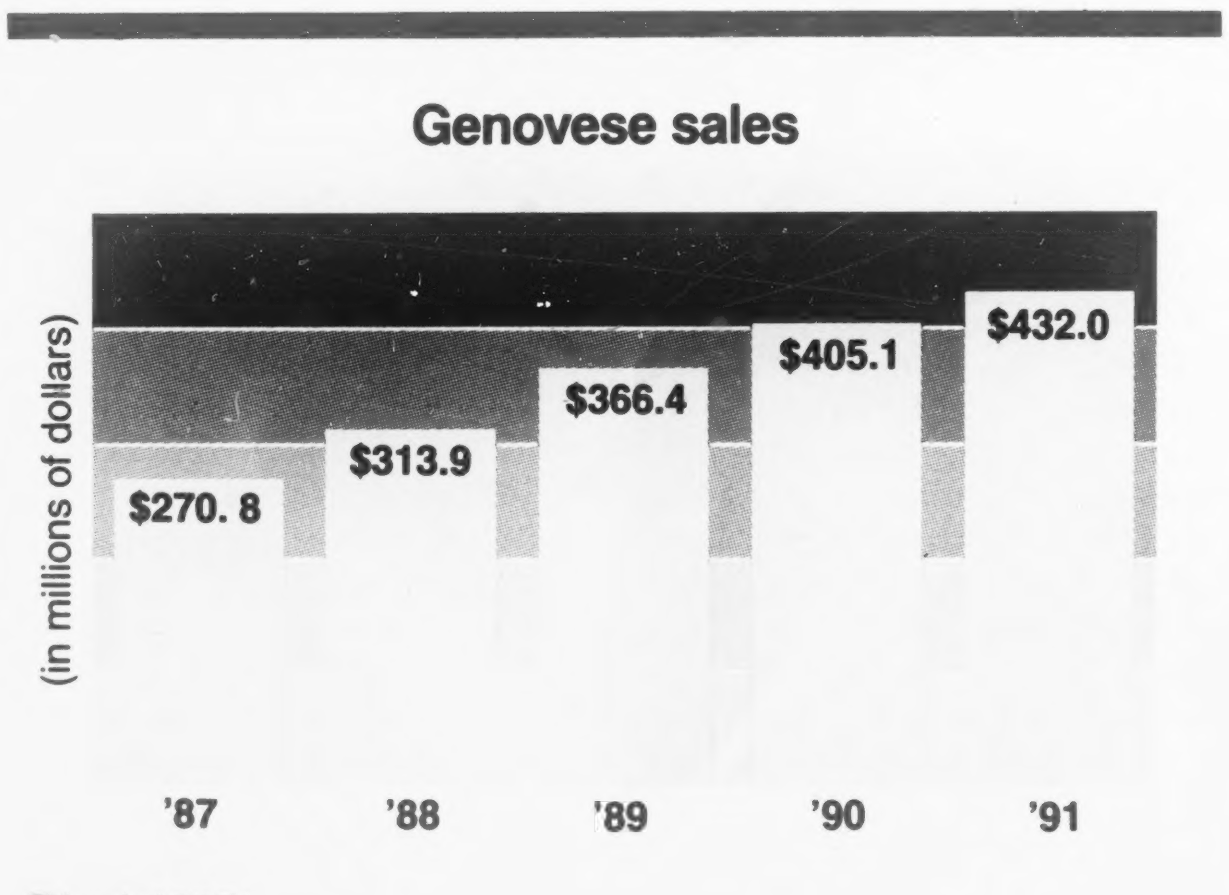
Although new store openings were few during fiscal 1991, Genovese refurbished and held grand reopenings of 24 stores.

Genovese's Living Color photofinishing division, which does the photofinishing for all 96 Genovese stores, has blossomed in the past two years. An expanded ad program and strong promotional offerings have helped increase sales 60 percent over that period.

Early in 1991, the division moved into a new, 11,000-square-foot plant, about 20 percent larger than its previous quarters, and also moved its retail photo outlet into larger space next door to the photofinishing plant. In addition to the minilab in the retail photo store, Genovese has minilabs in four drug stores, including a state-of-the-art minilab in the Bay Shore greenhouse unit, and plans to roll out more minilabs.

The chain has done some innovative advertising and promotional projects this year. During Operation Desert Storm, for example, it assembled and mailed packages of personal-care items for service men and women in the Persian Gulf, on behalf of customers who filled out mailing labels. In time for Earth Day this April, it ran print ads featuring environmentally friendly products, such as Arm & Hammer baking soda and Marcal paper products, after a lengthy study of manufacturers' environmental claims.

To build its business and image among seniors, Genovese last summer inaugurated a Senior's Day, designating each Tuesday as a day when older customers in its 60-Plus Club could get 10 percent off private label products, enjoy a cup of coffee and some socializing, and receive special attention from store personnel.



FY ended 2/1/91.
Source: Company reports.

Genovese at a glance

Name: Genovese Drug Stores
Headquarters: Melville, N.Y.
Officers: Leonard Genovese, chairman and president; Herb Kett, vice chairman
Sales: $432 million
Store count: 96, including 93 Genovese drug stores, 2 Great American deep-discount stores and its Living Color Photofinishing store and plant.
Store size: 12,000 square feet.
Markets: New York, Connecticut, New Jersey.
Highlights: The "Greenhouse" prototype store, the first of which opened in Oct. '90; Genovese's first store in the Bronx, N.Y.; outstanding year-end results; switch from SASI to IBM for continued roll out of POS scanning; growth of photo department and minilab business.

Arbor rolls on in record territory Detroit chain is a national success

TROY, Mich. — Arbor Drugs has become one of the darlings of Wall Street. It's easy to see why: the chain just keeps racking up record-breaking sales and earnings each year, sailing easily through the choppy waters of the recession with its disciplined, highly focused approach to drug retailing.

In the process, Arbor continues to rack up plaudits from the nation's business press: *Forbes* named the chain one of the nation's 200 best small companies for the third year in a row. *The Detroit Free Press* called it "Michigan Company of the Year" for 1989-90. Arbor's chairman, Eugene Applebaum, was named "1990 Strategic Manager of the Year" by the Detroit Chapter of the Planning Forum. And *Drug Store News* named the chain its 1989 REX Small Chain of the Year.

Not bad for a 28-year-old company that few outside of southeastern Michigan had even heard of prior to the mid-'80s.

In fiscal '90, Arbor earned a record $11 million on sales of $341 million, while boosting return on equity to 19.2 percent. It also cut long-term debt to 31.5 percent of total capital from 36.3 percent the previous year. Annual compounded sales growth for the past five years is 23.2 percent; compounded net is up 20.6 percent.

This year, Arbor has maintained its momentum in a difficult sales environment. In the second quarter ended January 31, net was up 12.9 percent, with sales up 18.6 percent.

Applebaum and his small cadre of top executives attribute Arbor's success to an emphasis on a convenient, conventional, in-stock selection of drug store basics, wide product assortments, a dependable pharmacy operation, value pricing and a policy of consistency. Customers, says Applebaum, want to be able to shop any Arbor store and know they'll find the same merchandise, always in stock, in the same location and in immaculately clean surroundings.

Internally, Arbor's mission is also deceptively simple: "meaningful and profitable growth achieved through a professionally managed, highly disciplined chain drug store operation . . . committed to improving sales and profits annually" and "exceeding drug store industry averages in both operating efficiency and financial performance. . ."

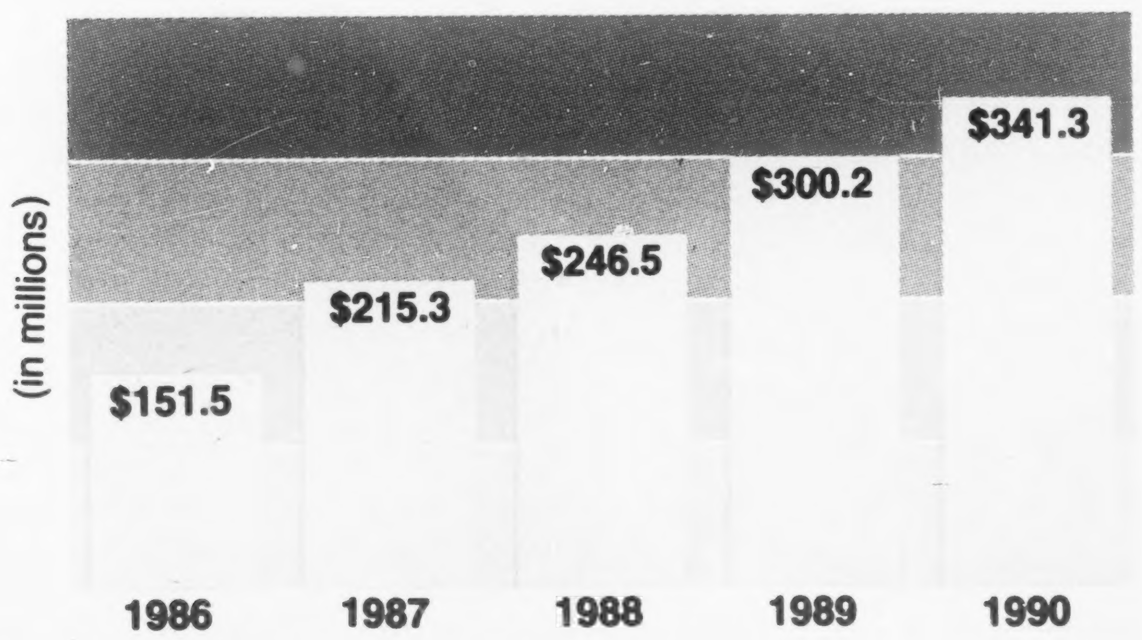
The past year has been good for Arbor in other ways, as well. The chain blew easily past the 100-store mark, and is now in the midst of a rapid expansion that should easily fulfill its goal of 150 stores by 1993. In fiscal 1990, per-store sales hit $3.7 million, and pharmacy revenues accounted for 41.2 percent of total sales.

The company marked another milestone last year with its move into brand-new corporate offices on West Big Beaver Road, across from Kmart's world headquarters. Those offices, filled with Applebaum's considerable collection of modern art and lit by natural light pouring in through massive windows, underscore just how far this company has come since its founder opened Civic Drugs in Dearborn, Mich. in 1963.

Arbor at a glance

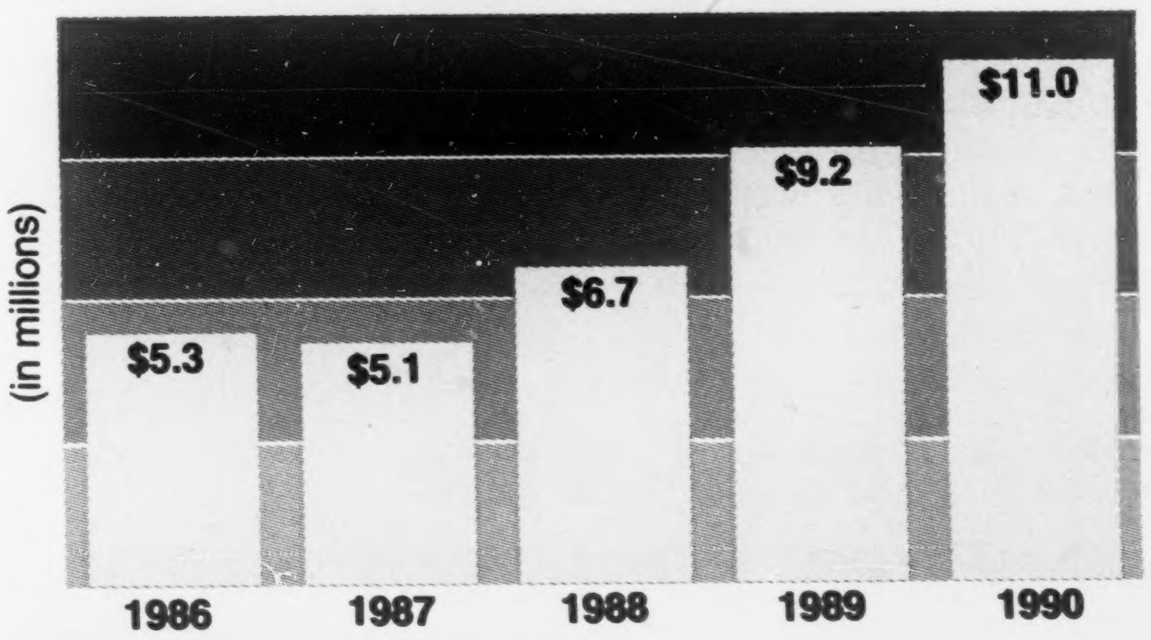
Name: Arbor Drugs, Inc.
Headquarters: Troy, Mich.
Officers: Eugene Applebaum, chairman/ceo; Markus "Max" Ernst, executive vp/chief operating officer.
Sales: $341.3 million.
Store count: 111 currently. 98 at FY-end 7/31/90.
Store size: 10,800 square feet (8,300 selling).
Markets: Michigan.
Highlights: Rapid expansion in Michigan.

Arbor sales



FY ended 7/31/90. Store count was 98 at FY end.
Source: Company reports.

Arbor net earnings



FY ended 7/31/90. Store count was 98 at FY end.
Source: Company reports.

Big B's uphill expansion efforts are beginning to pay off

BESSEMER, Ala. — Big B has been swallowing hard for the past two-and-a-half years to digest its ambitious takeover of 85 former Reed drug stores in Georgia.

That 1989 acquisition thrust Big B into the unfamiliar, furiously competitive Atlanta market, where its managers and support people had to learn some tough lessons in a hurry about local consumer demand, regional management and high-cost distribution in a market where Big B was an unknown.

It was a sizeable challenge, and it took time to bounce back. Higher interest payments and big consolidation and conversion costs related to the acquisition cut net earnings dramatically in the fiscal periods following the purchase.

Then, a cut in gross margins to respond to tough competition dragged Big B into the red in the second and third quarters last year, resulting in the company's first annual loss in its 23-year history in fiscal 1991.

The storm clouds, however, appear to be dispelling rapidly. Despite the fiscal year loss, Big B ended the period with a sharp upswing in the fourth quarter. Thanks to some higher prices in the stores, some cost-cutting disciplines and steadily improving results in the former Reed stores, the company reported record profits of $2.45 million for the last quarter of the year. Coupled with a 13 percent same-store sales gain, that upswing helped mitigate the loss in fiscal '91 and marked a significant turnaround.

Indeed, Big B reported that its Atlanta stores broke into the black late last year, for the first time since the takeover.

Helping hold down operating costs is Big B's newly expanded distribution center, which can handle up to 500 stores, according to the firm. The larger, more automated facility eliminated the need for a local warehouse in Atlanta and enhanced inventory control, Big B states.

What's more, the chain continued to grow in the midst of its downturn. Big B grew to 310 stores last year with 14 new-store openings and the acquisition of eight former Revco stores in Alabama, while closing eight former Reed stores in a consolidation move.

Big B at a glance

Name: Big B
Headquarters: Bessemer, Ala.
Officers: Joseph Bruno, chairman; Anthony Bruno, president.
Sales: $463.6 million
Store count: 310 currently. 307 at FY-end 2/2/91.
Store size: Big B, 9,000 square feet; Drugs For Less, 20,000 square feet.
Markets: Ala., Ga., Tenn., Fla., Miss.
Highlights: Passed 300-store mark.